

# Chapter 2

# Australia

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## 2.1 Overview of the patent system

### 2.1.1 Evolution of the patent system

The Australian patent system is governed by the Patents Act 1990 (Cth). The origins of that Act, and the Australian patent system generally, can be traced back to English law and the Statute of Monopolies 1623.<sup>1</sup>

Section 6 of the Statute of Monopolies 1623 (which is expressly referred to in Section 18(1)(a) of the Patents Act 1990 (Cth)) provided an exception for patents to the general position that monopolies were contrary to law. Section 6 described the carve-out for patentable inventions in the following terms:

Provided also That any Declaracion before mencioned shall not extend to any tres Patents and Graunt of Privilege for the tearme of fowerteene yeares or under, hereafter to be made of the sole working or makinge of any manner of new Manufactures within this Realme, to the true and first Inventor and Inventors of such Manufactures, which others at the tyme of makinge such tres Patents and Graunts shall not use, soe as alsoe they be not contrary to the Lawe nor mischievous to the State, by raisinge prices of Commodities at home, or hurt of Trade, or generallie inconvenient.

In broad terms, the Statute of Monopolies restricted the grant of patents to “any manner of new Manufactures” to the true and first inventor and imposed a limited term of 14 years for the grant of letters patent. By the early 1600s, the grant of letters patent and other privileges by the Crown had become controversial: they were being used merely as a convenient way for the Crown to raise revenue and were being granted in respect of products and processes that were already being used in the public domain, thereby harming trade and commerce.<sup>2</sup> The Statute of Monopolies sought to address these concerns by, among other things, limiting the grant of letters patent to particular subject matter (namely, any manner of *new* manufacture) and restricting the grant to a limited term. Following the passing of the Statute of Monopolies, the patent system in England continued to develop, eventually leading to the enactment of the Patents, Designs and Trade Marks Act 1883 (U.K.), which is the basis of the modern patent system in the United Kingdom and in Commonwealth countries.

Prior to Federation in 1901, each Australian colony had its own Patents Act that was modeled on the Patents, Designs and Trade Marks Act 1883 (U.K.). These Acts continued in force until the Australian Parliament enacted the Patents Act 1903 (Cth) pursuant to its legislative powers under Section 51(xviii) of the Commonwealth Constitution. The Patents Act 1903 (Cth) was replaced by Patents Act 1952 (Cth), which was in turn replaced by the Patents Act 1990 (Cth). The Patents Act 1990 (Cth), together with the Patents Regulations 1991 (Cth), came into operation on May 1, 1991.

The Patents Act 1990 (Cth) provides protection for two types of patents in Australia: the “standard” patent and the “innovation” patent. The main difference is that “innovation” patents have a shorter term of eight years and involve the lower threshold of an “innovative” step when compared to the prior art basis (as opposed to the “inventive step” required for standard patents).

The Patents Act 1990 (Cth) has undergone amendment several times since its enactment, including the reforms introduced by the Intellectual Property Laws Amendment (Raising the Bar) Act 2012 (Cth). These reforms apply largely in relation to patents requested for examination after April 15, 2013, and are designed to raise patentability thresholds to align more closely with the laws of overseas jurisdictions. More recently, the Australian Government passed the Intellectual Property Laws Amendment (Productivity Commission Response Part 1 and Other Measures) Act 2018 (Cth). These reforms involved, among other things, the introduction of an objects clause into the Patents Act 1990 (Cth), the phasing out of Australia’s “innovation” patent system<sup>3</sup> and amendments to the compulsory licensing scheme in Chapter 12 of the Patents Act 1990 (Cth).

1 21 Jac. 1, ch. 3.

2 See generally Justine Pila, “The Common Law Invention in its Original Form,” 3 *Intellect. Prop. Q.* 209 (2001); *Darcy v. Allin* (1602) 77 ER 120; Mark J Davison *et al.*, *Australian Intellectual Property Law* (3rd ed. 2016) 426–29.

3 As discussed below, the Patents Act 1990 (Cth) provides protection for two types of patents: “standard” patents and “innovation” patents. Under the Intellectual Property Laws Amendment (Productivity Commission Response Part 1 and Other Measures) Act 2018 (Cth), innovation patents will not be able to be filed from Aug. 26, 2021. Existing innovation patents filed on or before Aug. 25, 2021, however, will continue in force until their expiry.

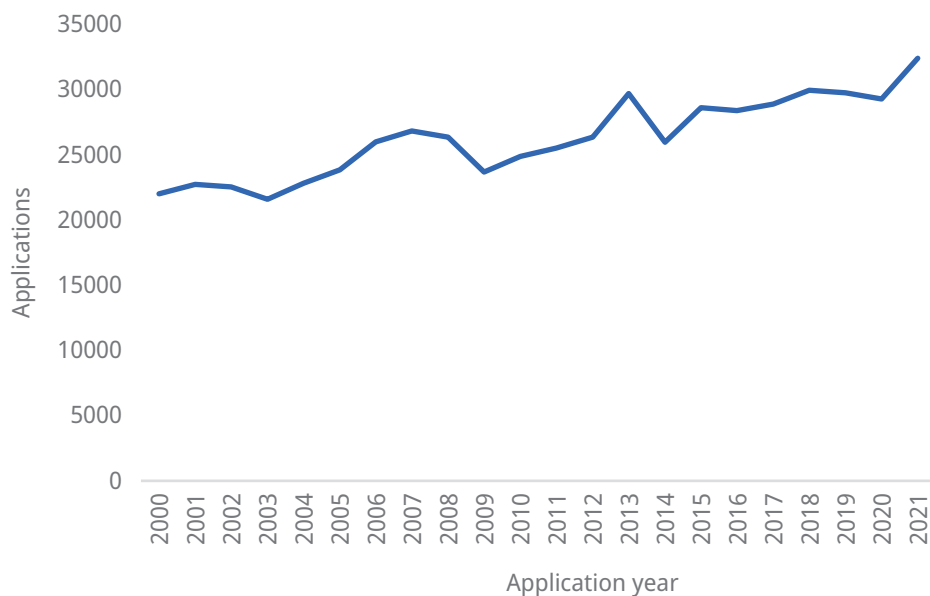
Australia is also signatory to a number of international treaties relating to patent rights, including the Paris Convention for the Protection of Industrial Property,<sup>4</sup> the Patent Cooperation Treaty,<sup>5</sup> the Agreement on Trade-Related Aspects of Intellectual Property Rights<sup>6</sup> and various free trade agreements. Australia's obligations under these treaties in relation to patent rights are reflected in the Patents Act 1990 (Cth).

Patent disputes are determined under the Patents Act 1990 (Cth) as interpreted by the case law that has developed under it, and its predecessor Acts. The development of modern Australian patent law has most closely followed that of the law of the United Kingdom, although there has been a measure of divergence from that law since that country joined the European Patent Convention in 1977. Often, during the course of patent trials, the parties inform the court of developments in the United States, the United Kingdom and Europe.

### 2.1.2 Patent application trends

Figure 2.1 shows the total number of patent applications (direct and Patent Cooperation Treaty (PCT) national phase entry) filed in Australia from 2000 to 2021.

**Figure 2.1 Patent applications filed in Australia, 2000–2021**



Source: WIPO IP Statistics Data Center, available at [www3.wipo.int/ipstats/index.htm?tab=patent](http://www3.wipo.int/ipstats/index.htm?tab=patent)

## 2.2 Patent institutions and administrative review proceedings

### 2.2.1 Patent institutions

The Australian patent system is administered by the Australian Patent Office<sup>7</sup> (which is responsible for the administrative aspects of the patent system, including filing, examination and pre-grant “opposition” proceedings) and the Federal Court of Australia.<sup>8</sup>

As noted above, Australia has recently abolished its second-tier “innovation” patent system, and applications for innovation patents ceased on August 26, 2021. The Australian Patent Office also

4 Paris Convention for the Protection of Industrial Property, March 20, 1883, 828 UNTS 305.

5 Patent Cooperation Treaty, June 19, 1970, 1160 UNTS 231.

6 Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, annex 1C, 1869 UNTS 299.

7 Patents Act 1990 (Cth) s. 205(1). The Australia Patent Office is part of the government agency “IP Australia,” which administers patents, trademarks, designs and plant breeders’ rights (see [www.ipaustralia.gov.au](http://www.ipaustralia.gov.au)).

8 Patents Act 1990 (Cth) s. 154. State or territory supreme courts may hear patent infringement proceedings only to the extent that Constitution permits and so long as the patentee is a resident or has its principal place of business in that state or territory. Patents Act 1990 (Cth) s. 155. In practice, almost all patent disputes are commenced in the Federal Court rather than in the state courts.

facilitates the registration of overseas patent applications in Australia through the Paris Convention and the Patent Cooperation Treaty.

The Federal Court has jurisdiction to hear patent infringement, invalidity, entitlement and related disputes, together with appeals from the Australian Patent Office. It has jurisdiction in a number of other areas of law, including commercial and corporations laws, administrative law, industrial law, federal crime, admiralty and taxation. The Federal Court is located in the capital city of each state and territory, has a specialized panel of judges for patent matters and has a dedicated practice note for intellectual property matters, including patent disputes.<sup>9</sup>

## **2.2.2 Administrative review proceedings**

### **2.2.2.1 Avenues of review**

The Federal Court of Australia is the institution in which the validity of a patent may be challenged. Prior to grant, patents can be opposed in the Australian Patent Office. The available avenues for review of an invalidity determination depend upon the decision-maker, the type of decision and whether the determination was made pre-grant or post-grant.

The Intellectual Property Law Amendment (Raising the Bar) Act 2012 (Cth) made a number of amendments to the Patents Act 1990 (Cth), including the internal grounds of invalidity and examination and opposition procedures in the Patent Office. The present section refers to the law that applies following those changes. However, it is important to be aware that, depending on the date on which an application was filed, an examination was requested, or the application was accepted, it will be necessary to consider the provisions in the Patents Act 1990 (Cth) prior to the amendments.

#### **2.2.2.1.1 Pre-grant - refusal of acceptance**

Following examination of a patent, the Commissioner of Patents may refuse to accept a request for a standard patent or specification.<sup>10</sup> The grounds of refusal for invalidity include a failure to comply with the internal requirements for invalidity (including sufficiency, best method and support) and that the invention is not a patentable invention (it is not a manner of manufacture, lacks utility, is not novel or does not involve an inventive step).

The decision of the Commissioner to refuse to accept a patent request or specification may be appealed to the Federal Court of Australia.<sup>11</sup>

An examiner will issue reports if they reasonably believe that there are grounds of objection to a patent, and an applicant will be provided with opportunities to respond to and overcome the objections until the deadline for acceptance. In practice, most patents lapse rather than being formally refused.

#### **2.2.2.1.2 Pre-grant - opposition**

Once acceptance of a standard patent has been advertised, the grant of the patent may be opposed by any person. The notice of opposition must be filed within three months from the date acceptance is published.<sup>12</sup> The grounds on which the grant may be opposed include the internal requirements for invalidity and that the invention is not a patentable invention.<sup>13</sup>

If the Commissioner of Patents is satisfied that a ground of opposition exists on the balance of probabilities, the Commissioner may refuse the patent application.<sup>14</sup> However, the Commissioner must first give the parties a reasonable opportunity to be heard and (where appropriate) allow the applicant an opportunity to amend the specification.

The decision of the Commissioner following an opposition may be appealed to the Federal Court of Australia by either the opponent or the applicant.<sup>15</sup>

<sup>9</sup> See generally [www.fedcourt.gov.au/law-and-practice/national-practice-areas/ip](http://www.fedcourt.gov.au/law-and-practice/national-practice-areas/ip)

<sup>10</sup> Patents Act 1990 (Cth) s. 49.

<sup>11</sup> Patents Act 1990 (Cth) s. 51.

<sup>12</sup> Patents Regulations 1991 (Cth) reg. 5.4.

<sup>13</sup> Patents Act 1990 (Cth) s. 59.

<sup>14</sup> Patents Act 1990 (Cth) s. 60.

<sup>15</sup> Patents Act 1990 (Cth) s. 60(4).

### 2.2.2.1.3 *Pre-grant and post-grant – reexamination*

The Commissioner of Patents may reexamine a standard patent if it has been accepted but not yet granted. The decision to reexamine pre-grant is at the discretion of the Commissioner but may occur, for example, following the identification of new prior art or the receipt of a notice from a third party.<sup>16</sup> Following grant, the Commissioner may reexamine a patent on their own initiative and must reexamine the patent if formally requested to do so by a third party in the approved form or following a direction from a court.<sup>17</sup> However, the Commissioner may not reexamine a patent if court proceedings are pending.

The Commissioner may refuse to grant the patent, or may revoke the patent, if the Commissioner makes an adverse report on reexamination (which includes on invalidity grounds) and is satisfied on the balance of probabilities that there is a lawful ground of objection to the specification.<sup>18</sup> However, the Commissioner must first provide the applicant or patentee an opportunity to respond to the report and be heard and (where appropriate) allow the applicant an opportunity to amend the specification.

The decision of the Commissioner to refuse an application or to revoke the patent following reexamination may be appealed by an applicant to the Federal Court of Australia.<sup>19</sup>

A third party that has requested reexamination has no right of appeal of the decision of the Commissioner to the Federal Court. However, the third party may apply to the court for revocation of the patent or may seek judicial review, as discussed in Sections 2.2.2.4 and 2.2.2.5.

### 2.2.2.2 *Claim construction*

Allowing for the differences in procedure between them, the process for and the procedures governing claim construction in the Australian Patent Office are generally the same as in the Federal Court of Australia. In particular:

- Claims are generally construed in the Patent Office at the same hearing as that involving whether a patent is valid and ought to be granted.
- Although expert evidence on the meaning that the skilled addressee would give to technical or scientific terms and phrases may be submitted, claim construction is a matter for the Patent Office.

However, the Australian Patent Office only construes a claim in the context of a determination of validity or in claim amendment, not infringement (for a further discussion on claim construction with respect to infringement, see Section 2.5.1).

### 2.2.2.3 *Role of experts*

#### 2.2.2.3.1 *Australian Patent Office (IP Australia)*

Expert evidence may be filed in the Australian Patent Office in the following invalidity proceedings:

- oppositions to the grant of a standard patent;<sup>20</sup>
- reexamination of an application or granted patent;<sup>21</sup> or
- Section 27 and 28 submissions.<sup>22</sup>

Generally, expert evidence is given by way of declaration under the Patents Regulations.<sup>23</sup> While the Patent Office has the power to require witnesses (including expert witnesses) to give oral evidence at a hearing, such evidence is, in practice, rarely required.<sup>24</sup> The rules of evidence do not

16 Patents Act 1990 (Cth) s. 27.

17 Patents Act 1990 (Cth) s. 97; Patents Regulations 1991 (Cth) reg. 9.2.

18 Patents Act 1990 (Cth) ss. 100A, 101.

19 Patents Act 1990 (Cth) ss. 100(4), 101(4).

20 See, e.g., Patents Act 1990 (Cth) ss. 59, 101M.

21 See Patents Act 1990 (Cth) ss. 97, 101G.

22 Pursuant to Sections 27–28 of the Patents Act 1990 (Cth), a person may notify the Commissioner that the person asserts, for reasons stated in the notice, that the invention concerned is not a patentable invention because it does not comply with Section 18(1)(b) or (1A)(b) of the Patents Act 1990 (Cth) (i.e., the invention lacks an inventive or innovative step).

23 Pursuant to Regulation 22.13 of the Patents Regulations 1991 (Cth), a declaration required or permitted by the Patents Act 1990 (Cth) or Patents Regulations 1991 (Cth) must be in the approved form. Declaration forms in the approved form are available on the IP Australia website at [www.ipaustralia.gov.au](http://www.ipaustralia.gov.au)

24 Patents Regulations 1991 (Cth) reg. 22.12.

apply in the Patent Office. However, greater weight is likely to be given to expert evidence that complies with the rules of evidence on admissibility.

Expert evidence in the Australian Patent Office is generally directed to the following topics:

- claim construction and prior art;
- common general knowledge (CGK); and
- obviousness.

#### **2.2.2.3.2 Claim construction and prior art**

While claim construction is ultimately a matter for the Patent Office, the claims are read through the eyes of the skilled addressee in light of the specification as a whole and the CGK before the priority date.<sup>25</sup> Expert evidence can assist the Patent Office in placing itself in the position of a person acquainted with the surrounding circumstances as to the state of the art at the time.<sup>26</sup> Expert evidence is particularly important where the words used in a patent claim or prior art document have a technical or special meaning in the relevant field.<sup>27</sup>

#### **2.2.2.3.3 Common general knowledge**

The state of the relevant CGK for a patent or pending application is established by evidence from experts in the technical field concerning the extent to which certain information was known and accepted by others in the field.<sup>28</sup>

#### **2.2.2.3.4 Obviousness**

An opinion from an expert as to whether an invention is obvious is unlikely to be helpful. This is because questions of obviousness and inventive step are ultimately for the court or Patent Office to determine, irrespective of the opinion expressed by any number of experts.<sup>29</sup>

However, where obviousness is sought to be established, it is common for parties to set a design task for an expert representing the person skilled in the art. For example, an expert may be asked to solve the problem identified in the patent or pending application using only information that was CGK at the priority date.

#### **2.2.2.3.5 Hindsight**

When briefing an expert to provide evidence in relation to obviousness or inventive step, care must be taken to ensure that the evidence is not tainted by hindsight, either as a result of the witness applying hindsight or from the instructions given to the witness. Accordingly, where obviousness evidence is required, it is generally prudent for those taking the evidence to proceed in the following manner:

1. Prior to providing the expert with the patent specification or any prior art documents, take the witness's evidence of the CGK at the relevant date. It is important to use nonleading questions when taking this evidence.
2. If undertaking a design task, this evidence should be based on the CGK evidence given by the witness in the preceding step and any prior art information (document or act) that may permissibly supplement the CGK pursuant to Section 7(3) of the Patents Act 1990 (Cth).
3. Only after obtaining the evidence in Steps 1 and 2 should the expert be given a copy of the patent-in-suit for the purposes of construction and comparison with the prior art.

#### **2.2.2.4 Appeals to the Federal Court of Australia, Full Court of the Federal Court and High Court of Australia**

An appeal from a decision of the Commissioner of Patents (including to refuse acceptance or revoke grant) lies to a single judge of the Federal Court of Australia.<sup>30</sup> A party may appeal this decision of a single judge to the Full Court of the Federal Court only with leave.

An appeal from a decision of a state or territory supreme court lies to the Full Court Federal Court.

<sup>25</sup> *Jupiters v. Neurizon* (2005) 65 IPR 86, [67(ii)-(iii)]; *Australian Mud Company v. Coretell* (2011) 93 IPR 188, [64]-[68]; *Sachtler v. RE Miller* (2005) 65 IPR 605, [42].

<sup>26</sup> *Jupiters*, 65 IPR, [67(ii)]; *Kimberly-Clark v. Arico* (2001) 207 CLR 1, [24].

<sup>27</sup> *Kimberly-Clark v. Multigate* (2011) 92 IPR 21, [12], [39]-[42].

<sup>28</sup> See, e.g., *Graham Hart (1971) Pty. Ltd. v. SW Hart and Co. Pty. Ltd.* (1978) 141 CLR 305, 330-31.

<sup>29</sup> *Minnesota Mining and Manufacturing Co v. Tyco Electronics Pty. Ltd.* (2002) 56 IPR 248.

<sup>30</sup> Patents Act 1990 (Cth) ss. 156, 158.

The question of whether leave to appeal to the Full Court should be granted may be decided by a single judge or may be referred to the Full Court. The grant of leave to appeal is discretionary, and relevant factors may include whether the decision is attended with sufficient doubt, whether substantial injustice will result from a refusal to grant leave and whether the appeal involves a question of public importance or of pure law. Where a party has unsuccessfully opposed the grant of a patent twice, there is limited scope for a further appeal.<sup>31</sup> Conversely, the grant of leave to appeal is more likely where the grant of a patent has been refused, as this would be determinative of the patentee's rights.<sup>32</sup>

An appeal from a first-instance court decision on invalidity (such as an application for revocation) lies to the Full Court of the Federal Court.<sup>33</sup> Leave to appeal is not required for a final decision on invalidity.

A party may seek special leave to appeal to the High Court of Australia from a decision of the Full Court. However, the grant of special leave to appeal such a decision is rare.

#### **2.2.2.5 Judicial review and review by the Administrative Appeals Tribunal**

The Patent Office is an administrative decision-maker. A person aggrieved by a decision of the Commissioner of Patents that is of an administrative character may therefore seek judicial review in the Federal Court or Federal Circuit Court. The nature of a judicial review is more limited than an appeal and focuses not on the merits of the decision but on the legality of the decision and the processes followed. Grounds of judicial review include that the decision involved a breach of the rules of natural justice, a failure to observe required procedures, the absence of jurisdiction or authority, an improper exercise of power, an error of law or that it was induced or affected by fraud.<sup>34</sup>

An affected person may also seek a merits review of certain specified decisions of the Commissioner in the Administrative Appeals Tribunal.<sup>35</sup> However, this does not include the final decisions of the Commissioner on invalidity that have been discussed in this section.

#### **2.2.2.6 Nature of appeal from an invalidity decision of the Commissioner of Patents**

An appeal from a decision of the Commissioner of Patents to the Federal Court of Australia must be filed within 21 days of the date of the decision unless an extension of time is granted.<sup>36</sup> The Commissioner is entitled to appear and be heard in any appeal against a decision of the Commissioner.<sup>37</sup> However, the Commissioner is not automatically a party to any appeal unless there is no other party opposing the appeal.<sup>38</sup>

An appeal to the Federal Court from a decision of the Commissioner is not an "appeal" in the strict sense – it is in the Federal Court's original jurisdiction and conducted as a hearing *de novo*.<sup>39</sup> This means that the court stands in the shoes of the Commissioner and makes the decision afresh. The court is not confined by the arguments or evidence that were before the Commissioner, including the grounds of invalidity. The court may receive fresh evidence and direct that the proceeding be conducted as it thinks fit.<sup>40</sup> Evidence that was before the Commissioner may be admitted with leave<sup>41</sup> but must also comply with the general rules of evidence.

The Federal Court may affirm, vary or reverse the decision of the Commissioner and may give any judgment or make any order that, in all the circumstances, it thinks fit.<sup>42</sup> While the Federal Court is generally confined to the subject matter of the controversy that was before the Commissioner, the court also has the power to direct the amendment of a patent application on an appeal.<sup>43</sup>

31 *Genetics Institute Inc. v. Kirin-Amgen Inc.* (1999) 92 FCR 106, [23].

32 *Imperial Chemical Industries plc v. EI Dupont de Nemours and Co.* [2002] FCAFC 264.

33 Patents Act 1990 (Cth) ss. 158, 156.

34 *Administrative Decisions (Judicial Review) Act 1977* (Cth) s. 5.

35 Patents Act 1990 (Cth) s. 224; Patents Regulations 1991 (Cth) reg. 22.26.

36 Federal Court Rules 2011 (Cth) rr. 34.24–34.25.

37 Patents Act 1990 (Cth) s. 159.

38 Federal Court Rules 2011 (Cth) r. 34.23.

39 *Commissioner of Patents v. Sherman* (2008) 172 FCR 394, [18] (Heerey, Kenny and Middleton JJ).

40 Patents Act 1990 (Cth) s. 160.

41 Patents Regulations 1991 (Cth) r. 34.31.

42 Patents Act 1990 (Cth) s. 160.

43 *Meat and Livestock Australia Ltd. v. Branhaven LLC* [2020] FCAFC 171, [91]–[93].

### 2.2.2.7 Innovation patents

This section has focused on the avenues for review of decisions relating to the validity of standard patents. Key differences in relation to the review of invalidity decisions relating to an innovation patent, by contrast, are that an innovation patent is examined only after grant and reexamined or opposed only after certification. Following examination, reexamination or opposition, the Commissioner of Patents may decide to revoke the grant of an innovation patent, including on invalidity grounds.<sup>44</sup> An appeal lies to the Federal Court of Australia in relation to a decision to revoke an innovation patent. Innovation patents are being phased out, with the last date for filing an application having been August 25, 2021.

## 2.3 Judicial institutions

### 2.3.1 Judicial administration structure

#### 2.3.1.1 National judicial structure

Almost all patent infringement and revocation proceedings are heard in the Federal Court of Australia. As a matter of theory, state and territory supreme courts also have jurisdiction to hear such proceedings, although this rarely occurs. Appeals from decisions of the Commissioner of Patents, who is responsible for granting patents under the Patents Act 1990 (Cth), are heard by the Federal Court. All appeals from first-instance infringement and revocation decisions, or from Federal Court decisions made with respect to decisions of the Commissioner, must be heard by the Full Court of the Federal Court.

The Federal Court is composed of a Chief Justice and judges who are appointed from time to time. It is a national court with registries located in each capital city and operates under a policy known as the National Courts Framework. A key feature of the National Courts Framework is the organization of matters filed in the court into national practice areas (NPAs) and subareas. One of the NPAs is Intellectual Property, which has a subarea dedicated to disputes relating to patents and associated statutes. Presently, there are 15 judges who are allocated to the Patents and Associated Statutes subarea of the Intellectual Property NPA. Many of these judges have extensive experience in the conduct of patent trials, as a result either of their work in practice before being appointed to the court or since their appointment. As a general rule, once a case is allocated to a particular judge, that judge retains that case in their docket through the case management, to hearing and judgment.

Individual judges are principally situated in their local registry; however, they are able to hear matters filed in different state or territory registries. Each registry is staffed by registrars and support staff, including lawyers, senior coordinators, client service officers and court officers. In addition to providing operational support to the judges in each state, registrars perform statutory functions assigned to them by the Federal Court of Australia Act 1976 (Cth) and the Federal Court Rules 2011 (Cth). These registrars often have expertise in intellectual property matters, including patents, and provide assistance to judges during the interlocutory phases of case preparation. Where the parties to a patent dispute agree to a mediation being facilitated by a registrar, a registrar with experience in patent cases will frequently be allocated. In addition, registrars will often provide assistance in the preparation of the joint expert report by facilitating the meeting of the experts. Furthermore, disputes relating to the production of documents or costs and other such matters may be delegated to registrars for adjudication. The registries also provide registry services to legal practitioners and members of the public, including by providing information regarding the practices and procedures of the court.

Individual judges of the Federal Court sit at first instance and also as appellate judges. Appeals from decisions of a single judge of the Federal Court, or from decisions of state or territory supreme courts, are heard by the Full Court of the Federal Court, the appellate division of the Federal Court. The Full Court is typically composed of three judges of the Federal Court who are selected for each appeal. Where an appeal is challenging the correctness of a previous decision of the Full Court, an expanded bench of five judges may be constituted.

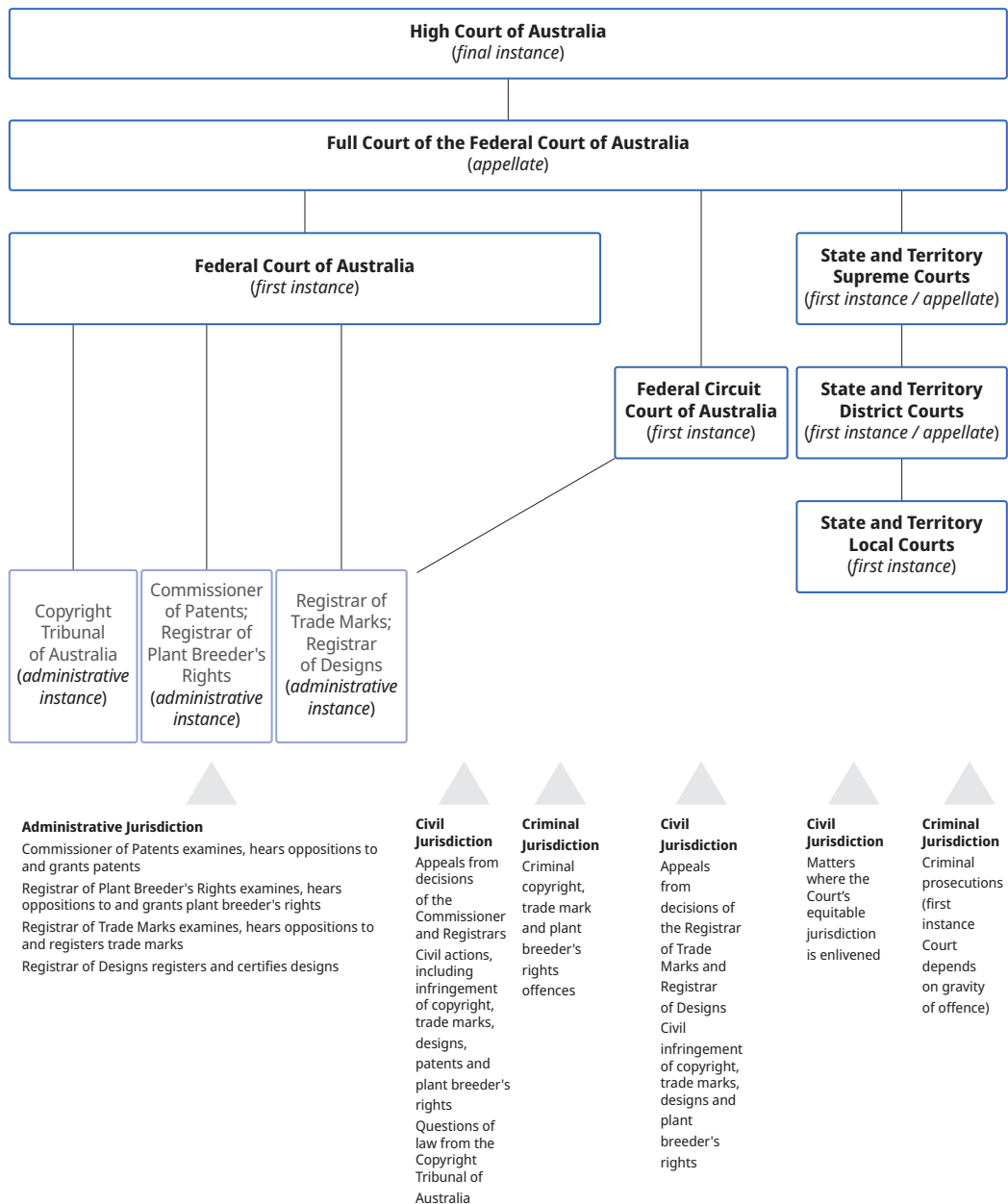
Appeals from the Full Court of the Federal Court are heard by the High Court of Australia. The High Court is a separate court composed of a Chief Justice and six judges. In order to have an appeal

44 Patents Act 1990 (Cth) ss. 101E, 101F, 101J, 101N.

heard by the High Court, parties are required to make an application for special leave to appeal. Special leave applications are determined on the papers or at short contested hearings usually heard by one or two judges of the High Court. If special leave to appeal is granted, the matter will be heard and determined by the Full Court of the High Court, which will usually be composed of between three and seven judges. There is no avenue of appeal beyond the High Court.

Figure 2.2 shows the judicial administration structure in Australia.

**Figure 2.2 The judicial administration structure for IP in Australia**



Source: Judicial Administration Structure for IP Disputes provided by the Federal Court of Australia, available at [www.wipo.int/wipolex/en/judgments/j-admin/au.html](http://www.wipo.int/wipolex/en/judgments/j-admin/au.html)

### 2.3.1.2 Selection process

Judges of the Federal Court of Australia are appointed by the Governor-General of the Commonwealth of Australia by commission. Judges are appointed from the ranks of qualified legal practitioners of significant standing in the legal community. They are most typically appointed from the ranks of barristers or, less frequently, solicitors, who have practiced law for decades before being appointed. All Federal Court judges must retire at the age of 70 years.

Judges of the Federal Court exercise the judicial power of the Commonwealth and are independent from Parliament and the executive branches of the government. As the Federal Court is a court created by Parliament under Chapter III of the Constitution, judges may not be removed from office except by the Governor-General on an address from both houses of Parliament in the same session on the ground of proven misbehavior or incapacity.

### 2.3.2 Judicial education on intellectual property

The Intellectual Property NPA is coordinated by a select group of national coordinating judges who have expertise in intellectual property law. These national coordinating judges are responsible for the operation and administration of the Intellectual Property NPA, including the Patents and Associated Statutes sub-area. This involves, among other things, overseeing the ongoing development of a program of education for judges and the profession.

## 2.4 Patent invalidity

In addition to its jurisdiction to review determinations of the Patent Office as to invalidity in relation to patent applications (see Section 2.2.2.4), the Federal Court is frequently asked to adjudicate allegations of invalidity in the context of proceedings seeking revocation of a granted patent or where invalidity is raised as a defense in infringement proceedings brought by the patentee or its exclusive licensee.

When patent invalidity cases are filed, they are allocated to judges in the registry of filing who are within the Patents and Associated Statutes subarea of the Intellectual Property NPA. This allocation principle is subject to:

- the availability of judges in the registry of filing in the Patents and Associated Statutes subarea of the Intellectual Property NPA;
- considerations of the balance of workload and commitments of judges; and
- the character of a matter calling for a different approach.

Typically, complex patent matters, such as those involving pharmaceuticals or other complex scientific subject matter, are allocated to judges with significant experience in the field. As noted above in Section 2.3.1.1, and below in Section 2.6, the individual docket system means that, once a matter has been allocated to a judge, it is intended that the case will remain with that judge for case management and disposition.

If infringement proceedings are already in progress when proceedings alleging the invalidity of the same patent are commenced (either by cross-claim or otherwise), the invalidity proceedings will most likely be allocated to the docket of the judge hearing the infringement proceedings and the matters heard together, as in a single proceeding.

### 2.4.1 Process

Proceedings seeking revocation of a patent for invalidity are usually commenced by pleadings. The applicant will typically commence proceedings by filing an originating application and statement of claim. The originating application will set out the nature of the orders being sought in the proceedings (e.g., a declaration that particular claims of a patent are invalid). The statement of claim will provide further detail about the invalidity challenge, including the grounds upon which it is alleged that the patent is invalid. In addition, the applicant must also provide particulars of invalidity setting out with more precision the basis upon which each of the grounds of invalidity is said to be established.

In response, the respondent patentee will file a defense to the statement of claim. In its defense, the respondent will either admit, deny or otherwise provide an explanation in response to the allegations contained in the statement of claim. The applicant will then be able to file a reply to the defense or, failing this, be taken to join issue and deny the allegations made in the defense.

Once the pleadings have been finalized and closed, it is typical for the preparation of evidence in the proceedings to be commenced. This topic is discussed in Section 2.6.7.

## 2.4.2 Role of experts – Federal Court of Australia (invalidity proceedings)

Expert evidence in patent litigation in the Federal Court of Australia is almost exclusively given on affidavit and by way of joint report. Expert evidence is expected to comply with the requirements set out in the applicable practice note (at the time of writing, the *Expert Evidence Practice Note (GPN-EXPT)*, dated October 25, 2016) as well as the relevant rules of court.<sup>45</sup> These requirements place particular focus on the importance of the expert's independence as well as matters going to admissibility and the manner in which experts' evidence will be prepared and presented at trial. The practice note specifically requires every expert witness to read the *Harmonised Expert Witness Code of Conduct*<sup>46</sup> and agree to be bound by it. Unlike in the Patent Office, the rules of evidence apply in Federal Court proceedings.

Where an allegation of invalidity is raised in answer to an application for preliminary injunctive relief, expert evidence bearing on questions of construction of the specification or the contents of prior art documents will usually be given on affidavit. Cross-examination is rare in interlocutory applications of this kind.

In the case of invalidity evidence to be received at trial, the following procedural matters should be noted:

- First, the practice note requires litigants intending to rely on expert evidence to consider and inform the court at the earliest opportunity of a range of matters, including the number and identity of proposed experts and the issues that each is expected to address.
- Second, although the practice note and rules of court make provision for the engagement of common or joint experts and court-appointed experts, such witnesses have rarely been utilized to date.
- Third, the court will often require experts with the same or overlapping expertise (or experts giving evidence on particular issues) to participate in a conference or conclave of experts and in the preparation of a joint report prior to the trial. Although the parties' lawyers will usually be involved in formulating the list of issues for the conference or conclave, the ordinary course is for the conclave to proceed and for the report to be drafted without any involvement from the parties or their lawyers. In some cases, this will result in a series of joint reports being prepared by different pairs or groups of experts. In others (particularly where the fields of expertise overlap), there may be a larger report with input from a larger number of witnesses. It is not uncommon to see joint reports with four or five participants (or more) contributing.
- Fourth, particularly in cases where the joint report process is being used, the court will commonly direct that the experts give some or all of their evidence concurrently at trial rather than through traditional processes of experts being called and cross-examined serially. This process, colloquially known as a "hot tub," may take a number of forms but will commonly be structured by reference to topics or issues dealt with in the joint report. For each topic or issue, there may be an opportunity for the experts to give "opening statements" or to answer questions from the presiding judge. One party's legal representative will often begin questioning by asking a question of an expert called by the opposing party. Each expert will have an opportunity to comment on any answers given by other experts orally or in written evidence. Once the parties' legal representatives have exhausted their questions for the concurrent session on a topic, there may be an opportunity for "traditional" individual cross-examination of experts on matters arising from their oral or written evidence.<sup>47</sup>

Expert evidence relating to invalidity will generally pertain to the same issues discussed at Section 2.2.2.3 in relation to Patent Office proceedings (in particular, evidence assisting the court in understanding the patent specification, the prior art, the state of knowledge – including CGK – in the relevant field at the priority date). In cases relating to older patents, there may be expert evidence establishing that a particular document would have been ascertained and regarded as relevant to a particular technical problem by the skilled addressee.

<sup>45</sup> In particular, Federal Court Rules 2011 (Cth) r. 23.13.

<sup>46</sup> Available from [www.fedcourt.gov.au/law-and-practice/practice-documents/practice-notes/gpn-expt#\\_ftnref2](http://www.fedcourt.gov.au/law-and-practice/practice-documents/practice-notes/gpn-expt#_ftnref2)

<sup>47</sup> Further information is available in the *Concurrent Expert Evidence Guidelines*, available from [www.fedcourt.gov.au/law-and-practice/practice-documents/practice-notes/gpn-expt#AnnexureB](http://www.fedcourt.gov.au/law-and-practice/practice-documents/practice-notes/gpn-expt#AnnexureB)

## 2.5 Patent infringement

### 2.5.1 Claim construction

This section focuses on claim construction in the Federal Court of Australia, given that patent matters are primarily conducted in that jurisdiction.

#### 2.5.1.1 The role of claim construction

The proper construction of a patent is a question of law. The construction of the patent in question is important to most issues in patent disputes and can often be determinative of them. In particular, the proper construction of a patent may:

- indicate the meaning to be attributed to the claim features (integers) for the purposes of determining whether the allegedly infringing product or method, or prior art said to anticipate the claim or render it obvious, possesses those features;
- determine whether the words of the claim meet the requirement for the claim to be clear;
- determine the breadth of the monopoly claimed. This is particularly important for the “internal” grounds of invalidity, including:
  - a lack of fair basis and insufficiency (the relevant law for these grounds is that applying before the 2013 amendments brought about by the Intellectual Property Laws Amendment (Raising the Bar) Act 2012 (Cth));
  - a lack of support and no clear and complete enough disclosure of the invention (the relevant law is that applying after the 2013 amendments brought about by the Intellectual Property Laws Amendment (Raising the Bar) Act 2012 (Cth));
- determine the standard, if any, of the claimed product or process. This is particularly important for grounds, including:
  - a lack of inventive step (a claim with a higher “standard” is less likely to be obvious); and
  - utility (a broader claim, or one that does not have a limitation by result, is more likely to include within it things that do not work).

#### 2.5.1.2 When claim construction occurs

Argument about the proper construction of a patent generally takes place at a final hearing and at the same time as argument about infringement, invalidity and associated legal and factual issues. Determination of the proper construction of a patent before a hearing on infringement and invalidity is rare. However, the court may choose to follow this course, especially if this leads to efficiencies in how the case will be run.

One consequence of the construction of a patent being determined at the same time as issues of infringement and invalidity is that, often, evidence is prepared and argument occurs based on more than one possible claim construction. It is common for the alleged infringer to argue that it wins the case on any construction; for example, if the construction is X, then there is no infringement, but if the construction is Y, then the claim is invalid .

That said, the alleged infringement or prior art is to be ignored when construing the patent. Although the forensic contest in any patent dispute will raise the particular construction issues to be resolved, a patent must “be construed as if the infringer had never been born”<sup>48</sup> and without “an eye to the prior art.”<sup>49</sup>

The court does not need to adopt a construction put forward by any of the parties or their expert witnesses and may come up with its own construction. Further, as there are often multiple construction issues in a case, it is common for different construction issues to be determined both in favor of and against a party.

The construction of a patent is often an issue on appeal. While an appeal court may give some deference to a trial judge’s construction, it generally will not hesitate to adopt and apply a different construction if it perceives that the trial judge’s construction involved error(s). This is because the construction of a patent is a question of law, and, generally, the appeal court is in as good a position as the primary judge to construe the patent.

48 *Australian Mud Company Pty Ltd v. Coretell Pty Ltd (No. 4)* [2015] FCA 1372, citing *Welcome Real-Time SA v. Catuity Inc.* (2001) 51 IPR 327.

49 *Danisco A/S v. Novozymes A/S (No. 2)* (2011) 91 IPR 209 at [38].

### 2.5.1.3 Pleadings and claim construction

When filing originating documents alleging infringement or invalidity, a party does not generally need to indicate its position as to how the claim is to be construed.

Nonetheless, in some cases, the court may require the parties to indicate their position on construction at an early stage of the proceeding either directly (e.g., by requiring it to plead the various consequences for infringement and invalidity if a particular construction is adopted) or indirectly (e.g., by requiring the filing of position statements on infringement or a claim chart regarding invalidity).<sup>50</sup>

### 2.5.1.4 How claim construction occurs

The principles of claim construction are settled. Disputes about construction usually concern the language of a particular claim rather than matters of principle. The determination of the proper construction of a patent specification including the claims is based on how the person skilled in the relevant art would understand it. Such a person is regarded as being neither particularly imaginative nor particularly inventive (or innovative).

The court seeks to determine how the skilled addressee would have understood the patentee to be using the words of the claim in the context in which they appear. The construction of a patent is objective in the sense that it is concerned with what the skilled addressee would understand from the patent, not what the patentee meant to say. The claims must be construed in the context of the specification read as a whole and in light of the CGK. However, it is not permissible to alter the words of a claim by adding glosses drawn from other parts of the specification. Further, if a claim is clear, it is not to be made obscure simply because obscurities can be found in parts of the specification.

It is often said that claims should be given a purposive – not a purely literal – construction and that a too “technical” or “narrow” construction should be avoided.<sup>51</sup> In construing claims, “a generous measure of common sense should be used,” and a literal construction devoid of practicality and context is to be avoided.<sup>52</sup> Claims should be construed while bearing in mind that the invention is to be put to practical use. A claim should not be construed to give a foolish result. Where possible, different claims in the same patent should be construed in such a way that their scopes are different. This is known as the presumption against redundancy.

The patentee may provide a “dictionary” of the jargon used in the claims, in which case that dictionary definition of the term generally applies. There are two kinds of terms for which a dictionary may be used: words that otherwise do not appear to have a positive meaning and common words that are to be given a different meaning.

### 2.5.1.5 The role of evidence in claim construction

Construction is a matter for the court. Although expert evidence regarding the meaning that the skilled addressee would give to technical or scientific terms and phrases may be submitted, it is for the court to interpret words bearing ordinary meaning. Indeed, the court can construe the claims without reference to expert evidence.

Despite this, it is relatively common for parties to adduce expert evidence that solely concerns the meaning a skilled person would attribute to a claim that does not contain technical or scientific terms. Often, however, the court gives such evidence little weight, although it is rare for the court to hold that it is inadmissible.

### 2.5.1.6 Patent Office file wrapper

The general rule in Australia is that the file wrapper is neither relevant nor admissible in construing the claim. The only qualification to this is Section 116 of the Patents Act 1990 (Cth), which, in interpreting a complete specification as amended, allows the court to refer to the specification without amendment. Besides this narrow exception, Section 116 does not permit recourse to other documents on the Patent Office file.

<sup>50</sup> Federal Court of Australia, Intellectual Property Practice Note (IP-1), Dec. 20, 2019, [6.12]–[6.13], [6.17]–[6.19], [6.23].

<sup>51</sup> *Australian Mud Company Pty Ltd v. Coretell Pty Ltd* [2011] FCAFC 121, [65].

<sup>52</sup> *Product Management Group Pty Ltd v. Blue Gentian LLC* (2015) 240 FCR 85, [36], citing *Ranbaxy Laboratories Ltd v. AstraZeneca AB* (2013) 101 IPR 11, [108].

## 2.6 Judicial patent proceedings and case management

### 2.6.1 Venue, jurisdiction and case assignment rules

The Federal Court of Australia and the state and territory supreme courts have jurisdiction to hear patent infringement matters. The Federal Court is granted jurisdiction directly from the Patents Act 1990 (Cth).<sup>53</sup> In addition, state and territory supreme courts, as “prescribed courts,” are also granted jurisdiction directly from the Patents Act 1990 (Cth) in respect of a number of discrete matters (this relevantly includes infringement proceedings).<sup>54</sup>

Patent infringement proceedings are typically commenced in the Federal Court. This is a national jurisdiction with numerous judges who have extensive patent litigation expertise, often including practice at the bar prior to being appointed. First-instance proceedings in the Federal Court are heard and determined by a single judge. There are no jury trials for patent cases in Australia.

A party can commence patent proceedings before the Federal Court sitting in any Australian state or territory. The procedural rules and processes are standardized across Australia. Typically, a party will choose to commence a proceeding in the Federal Court registry that is in the state or territory in which they operate or where their legal representatives are located. Due to the standardized procedural rules and depth of experience of the Federal Court judiciary across the national Federal Court jurisdiction, there is no perceived benefit or disadvantage in commencing a proceeding in any particular venue.

Post-grant patent revocation proceedings can also be initiated in the federal (most commonly) or supreme courts. These can be commenced by a party seeking to “clear the path” ahead of the commercialization of a technology. However, in most instances, post-grant revocation is brought as a cross-claim to an infringement proceeding.

In the Federal Court, there are a number of NPAs, one of which is Intellectual Property, which includes the subarea of Patents and Associated Statutes.<sup>55</sup> This subarea includes:

- patent disputes – essentially infringement and validity disputes; and
- appeals from the Commissioner of Patents – for example, refusal by the Commissioner to grant a patent application.

There are approximately 54 Federal Court judges across the Federal Court. All Federal Court judges sit in multiple national practice areas although only 15 sit in the Patents and Associated Statutes subarea, as noted on the Federal Court portal.<sup>56</sup>

The Federal Court operates an individual docket system, under which a case is allocated to a judge from filing to final hearing. Proceedings relating to patents are subject to the Intellectual Property Practice Note (IP-1).<sup>57</sup> This practice note provides guidelines for how patent proceedings – both validity and infringement – must be case-managed, including the use of agreed primers and position statements on infringement.

Federal Court judges actively manage cases in their docket, and parties are required by Federal Court legislation to conduct proceedings as quickly, inexpensively and efficiently as possible.<sup>58</sup> Consistent with its drive for efficiency, the Federal Court is increasingly limiting the scope of pre-trial processes, in particular discovery. The docket judge sets a timetable for steps such as discovery, evidence and pre-trial steps and will seek to minimize the extent of interlocutory disputes about these procedural steps. Although it varies depending on the nature of the case, the docket judge will often, at an early stage, set the matter down for a final hearing, which then provides a practical end point to the timetable for the steps of discovery, evidence and pre-trial matters.

53 Patents Act 1990 (Cth) s. 154.

54 Patents Act 1990 (Cth) ss. 42(1), 97(3), 101K, 120, 125, 128, 138, 165, 169, 171, 192.

55 See [www.fedcourt.gov.au/law-and-practice/national-practice-areas/ip/patents](http://www.fedcourt.gov.au/law-and-practice/national-practice-areas/ip/patents)

56 See [www.fedcourt.gov.au/law-and-practice/national-practice-areas/ip/judges](http://www.fedcourt.gov.au/law-and-practice/national-practice-areas/ip/judges)

57 See Federal Court of Australia, Intellectual Property Practice Note (IP-1), Dec. 20, 2019.

58 Federal Court of Australia Act 1976 (Cth) ss. 37M, 37N.

Parties may be represented by lawyers, being either barristers, solicitors or, as is often the case, a combination of both. If a party is a natural person, they may also choose to represent themselves. Corporate parties must be represented by lawyers; however, with the leave of the court, they may be represented by a nonlawyer.

### 2.6.2 Statements of case

In order to commence proceedings in the Federal Court of Australia for patent infringement or for the revocation of a patent on the grounds of invalidity, a party must file an originating application setting out the form of relief sought.<sup>59</sup> Generally, the originating application will be accompanied by a statement of claim or affidavit, setting out further information regarding the basis of the claim.<sup>60</sup> The applicant must also file a “genuine steps statement” specifying the steps taken to resolve the issues in dispute prior to instituting proceedings.<sup>61</sup> Generally, this is satisfied by a patentee sending a letter of demand before commencement and allowing an appropriate period (which may be only a short period for urgent matters) for the other party to respond. These documents must be served on the other party in accordance with the court rules.<sup>62</sup>

A respondent in patent infringement proceedings must file a defense to the claim within 28 days of service of the statement of claim.<sup>63</sup> However, the timing of the filing of the defense may, in some cases, be varied by order of the court. For example, a respondent may require further time to respond, particularly if they require further particulars of infringement from the applicant prior to being able to respond to the claim.

Alternatively, in certain circumstances, the Federal Court also allows parties to file a concise statement, which is limited to a statement of five pages, setting out the key facts giving rise to the claim, the relief sought, the primary legal grounds and the alleged harm suffered by the applicant.<sup>64</sup>

Importantly, in Australia, it is possible for an applicant to seek an interim and interlocutory injunction in relation to potential patent infringement. The applicant may approach the duty judge of the Federal Court for orders expediting the filing and service of the originating application and pleadings to facilitate an urgent hearing of the application for interlocutory relief.

### 2.6.3 Early case management

Specific rules of the Federal Court of Australia govern the conduct of intellectual property cases. Those rules are supplemented by the Intellectual Property Practice Note (*IP-1*), which, when read with the *Central Practice Note: National Court Framework and Case Management (CPN-1)*, sets out the key principles of case management procedure applied by the court.

The rules concerning the management of patent cases are structured to have a strong emphasis on the quick, efficient and as-inexpensive-as-practicable disposition of each matter. The key objective of case management is to reduce costs and delay so that there are fewer issues in contest, promote the effective use of expert evidence and ensure both that there is no greater factual investigation than justice requires and that there are as few interlocutory applications as necessary for the just and efficient disposition of cases.

The court recognizes that proceedings in the Patents and Associated Statutes subarea of the Intellectual Property NPA will vary in complexity, and so a flexible approach is taken to the conduct of proceedings, which enables practitioners to tailor the conduct of the case according to need. Case management hearings are integral to case management; they are conducted by the docket judge, and one of their aims is to identify the genuine issues in dispute between the parties at the earliest stage. At the first case management hearing, the parties’ legal representatives are expected to have an understanding of the case such that they can assist in developing directions for the conduct of the matter to ensure that it is swiftly and economically brought to trial.

59 Federal Court Rules 2011 (Cth) r. 8.01.

60 Federal Court Rules 2011 (Cth) r. 8.05.

61 Federal Court Rules 2011 (Cth) r. 8.02.

62 Federal Court Rules 2011 (Cth) r. 8.06.

63 Federal Court Rules 2011 (Cth) r. 8.06.

64 Federal Court of Australia, *Central Practice Note: National Court Framework and Case Management (CPN-1)*, Dec. 20, 2019, [6.10].

The following matters routinely arise in discussion during the course of the initial and any subsequent case management hearings:

- the size and scope of the claim and any cross-claim, including the likely areas of dispute in relation to infringement and the likely grounds of any cross-claim seeking revocation of the patent;
- whether the patentee intends to seek leave to amend the patent claims;
- how the patentee intends to prove infringement (if in dispute) and how to limit the disputes to those central to the determination of the issues, such as by requiring the accused infringer to provide a product, method or process description;
- where it is alleged that there are multiple types of allegedly infringing activity, how the infringement case can be organized by reference to agreed representative examples of infringing conduct;
- whether it is expected that either party will seek leave to adduce evidence of experiments conducted for the purpose of the proceedings;
- the expertise of any expert witnesses, including whether it is proposed that more than one expert witness will be called by each party and, if so, why;
- pre-trial discovery of documents. The court does not permit discovery as of right, and it is incumbent on parties to establish the appropriateness of discovery;
- the early preparation of an agreed primer that sets out undisputed matters going to the CGK, including aspects of the technology relevant for the court to understand the patent, the case advanced in relation to the allegations of infringement and any cross-claim seeking revocation of the patent;
- the timetable for the preparation of lay and expert evidence;
- typically, it will be agreed between the parties that it is efficient for questions of liability to be considered separately and before questions of quantum of any damages or account of profits. Orders are made early for the separation of these issues in the appropriate case; and
- whether and when it is appropriate for the proceedings to be referred to mediation. Frequently, the parties agree – or the court orders – that, after the pleadings are closed, the parties should attend a mediation conducted either by a registrar of the court or an external mediator, who will facilitate settlement negotiations.

The court will seek to set down the proceedings for a final hearing as soon as it becomes apparent when the parties will be in a position to complete the necessary pre-trial steps.

Practitioners are encouraged to discuss the proceedings from an early stage to determine whether alternative procedures that will facilitate the efficient disposition of proceedings can be adopted by the court. The court has the power to appoint:

- a court expert to inquire into and report on any question or facts relevant to the proceedings;
- a referee to consider and determine specific matters before the final hearing; or
- an assessor to assist in the hearing and trial or in the determination of the proceedings.

As a matter of practice, these steps are rarely taken in patent cases during the liability phase of the proceedings.

A regular topic for discussion at case management hearings is whether, having regard to the manner in which the dispute between the parties has developed, the proceedings can be more efficiently conducted by either or both:

- the patentee reducing the number of claims that it sues on or the number of patents upon which the proceedings are advanced; or
- the party seeking revocation limiting the number of prior art documents relied upon in its case based on lack of inventive step or lack of novelty.

After any expert evidence in chief has been filed and answered, the court will frequently direct that the experts meet and prepare a joint expert report. This process facilitates the commencement of a direct dialogue between the experts that is intended to ensure that the subject matter of their oral evidence is confined to relevant matters that are genuinely in dispute. Experience has demonstrated that the process of preparing the joint expert report frequently eliminates semantic or peripheral disputes that otherwise appear significant in written reports.

After most of the preparatory steps have been taken, the docket judge will conduct a more detailed pre-trial case management hearing, wherein the conduct of the hearing will be considered. During this hearing, the parties discuss the timetable for the hearing, whether witnesses can appear by video link or in person, the conduct of the joint expert evidence by the giving of concurrent evidence (as to which, see Section 2.6.7.4), the order of submissions and other practical matters.

### 2.6.3.1 Scheduling

When a proceeding for patent infringement or revocation is filed in the Federal Court of Australia, it will typically be allocated by the court to a docket judge, who will conduct all case management hearings of the proceedings and will also conduct the final hearing. There are a number of advantages of this docket system, including that the trial judge is familiar with the matter by the time of the final hearing. It is also a useful discipline for the parties that the judge hearing their procedural applications throughout the proceedings is the same judge who will be conducting the final hearing.

Generally, a judge from the Patents and Associated Statutes subarea (that is, a judge with experience in patent cases) will be allocated to the patent infringement or revocation proceeding as the docket judge.

The docket judge will determine when to set the hearing date for the final trial in the proceedings. In some cases, this may be done at an early stage of the proceeding. However, it is not uncommon for a hearing date to be set later in the proceedings, such as after the pleadings or after evidence has been filed.

## 2.6.4 Provisional measures and preliminary injunctive relief

The Federal Court of Australia has equitable jurisdiction to grant temporary injunctions restraining an alleged infringer from engaging in certain conduct until the substantive merits of a proceeding can be determined.<sup>65</sup> Such injunctions are referred to as interlocutory injunctions or, if they are granted pending an application for an interlocutory injunction, interim injunctions.

Such injunctions can be a useful tool for patentee applicants to preserve the status quo in the market during the preparation period for trial and hearing and while judgment is reserved. It is important to bear in mind that the “price” of an interlocutory or interim injunction is the applicant’s giving of the “usual undertaking as to damages” to the court – a matter which is discussed in Section 2.6.4.3 of this chapter. Another matter for practitioners to bear in mind is that, in lieu of granting an interlocutory injunction, the court may be willing to grant an early final hearing. Such a course may benefit either or both parties, and it removes the need for the patentee applicant to give the usual undertaking as to damages. It is also likely to hasten the final determination of the dispute, including by removing the potential for delay arising from any appeal of the court’s decision to grant or refuse an interlocutory injunction.

Applications for interlocutory injunctions should be brought as quickly as reasonably practicable after an applicant becomes aware of allegedly infringing conduct. The granting of interlocutory injunctions is at the court’s discretion. Factors that militate against the grant of equitable relief generally apply equally with respect to interlocutory injunctions, such as laches (delay). Further, the failure of an applicant to move with haste to seek an interim or interlocutory injunction tends to undercut any submission by the applicant that an interim or interlocutory injunction is urgently required to maintain the status quo to protect the applicant’s position prior to the substantive determination of the rights of the parties.

In circumstances where interlocutory injunctive relief needs to be sought urgently (subject to the practicalities of obtaining evidence to establish a *prima facie* case of patent infringement), practitioners should be familiar with paragraphs 3.1–3.5 of the Intellectual Property Practice Note (IP-1). It provides that, where urgent relief is sought, once appropriate documentation has been prepared in support of such an application, the associate (or “clerk”) of the duty judge should be contacted in order to allocate a hearing time for such an application. The allocated Federal Court

65 Federal Court Act 1976 (Cth) s. 23.

duty judge changes from time to time, and they are identified on the Federal Court daily list on the Federal Court's website.

When deciding whether to grant an interlocutory injunction, the court will consider whether the applicant has established a *prima facie* case (often framed by asking whether there is a serious question to be tried) and whether the balance of convenience favors granting the interlocutory injunction).<sup>66</sup> Almost invariably, the applicant will also be required to give an undertaking to the court as to damages. These concepts are outlined in more detail below.

#### **2.6.4.1 *Prima facie* case (or serious question to be tried)**

When hearing an application for an interlocutory injunction, the court is not making a final determination as to the parties' rights and the merits of the case. Instead, the court will seek to determine, on a preliminary basis, the strength of the applicant's case. The applicant does not have to prove that it is more probable than not that it will make out a claim of infringement at a trial of the proceeding – merely that it has a sufficiently strong case in the circumstances to justify the grant of the interlocutory injunction to preserve the status quo pending trial. As in any substantive proceeding, evidence – and often expert evidence – will be required to make out a *prima facie* case. However, given the often urgent circumstances in which relief will need to be sought, the evidence may be less detailed and expressed in a more contingent way than would be the case at trial.

While a patentee need only establish a *prima facie* case, or that there is a serious question to be tried, the stronger the case of the applicant, the more likely it is that the balance of convenience will favor the granting of an interlocutory injunction, as discussed further in Section 2.6.4.2.

As in all patent proceedings, when defending against an application for an interlocutory injunction based on a claim of patent infringement, an alleged infringer may seek to challenge the validity of the patent. However, if all that a respondent can establish is that it has an arguable case that the patent is invalid, that will be insufficient to displace the applicant's *prima facie* case of patent infringement. The respondent will need to establish a sufficiently strong case that the patent is invalid with the result that it cannot be said that the applicant has made out a *prima facie* case, given that an invalid patent cannot be infringed.

#### **2.6.4.2 Balance of convenience**

When considering whether the balance of convenience is in favor or against the granting of an interlocutory injunction, the court considers the respective impacts of an interlocutory injunction on the applicant, the respondent and third parties. As referred to at Section 2.6.4.1, the balance of convenience is considered in light of the strength of the applicant's case. All other matters being equal, a stronger case will suggest the balance of convenience lies in favor of granting an injunction than a weaker case.

As a starting point, a key factor to consider in determining where the balance of convenience lies is whether damages would be an adequate remedy for the applicant. That is to say, determining whether, if an interlocutory injunction were not granted and the respondent carried out the actions of which the applicant complains, the applicant would be adequately compensated for that conduct by an order for damages if the matter is ultimately determined in the applicant's favor. If damages are an adequate remedy, an interlocutory injunction will not be granted because there is no need to preserve the status quo pending trial.

Factors that militate against such a finding include (a) the respondent not being in a financial position to pay any damages awarded, (b) the likely difficulty in quantifying damage, (c) whether some of the damage likely to be suffered by the patentee is unlikely to be recoverable as damages for patent infringement, and (d) the irreversibility of the effect on the applicant of the respondent's conduct even if the respondent is ultimately enjoined at trial (e.g., if the respondent's entry into a market will irrevocably change the nature of the market).

In respect of pharmaceutical patents, the operation of the Pharmaceutical Benefits Scheme, being the vehicle by which the Australian Government subsidizes the purchase of pharmaceutical products in Australia, has important effects on the balance of convenience. Under the

66 *Samsung Electronics Co Ltd v. Apple Inc.* [2011] FCAFC 146; 217 FCR 238 (Dowsett, Foster, Yates JJ).

Pharmaceutical Benefits Scheme legislation, the entry of a second brand of pharmaceutical product into the Australian market has the effect of reducing the price at which the first brand of pharmaceutical product may be sold by the patentee in Australia and, therefore, the quantum of the subsidies paid by the Australian Government under the Pharmaceutical Benefits Scheme. The court may be willing to grant an interlocutory injunction to restrain the exploitation of the second brand on the basis that, if the second brand enters the market, the patentee will suffer irrevocable damage because the price at which the patentee may sell the first brand will be reduced.<sup>67</sup>

As well as considering how the applicant will be affected if an interlocutory injunction is not granted, the court will also consider the effect upon the respondent and third parties if the interlocutory injunction is granted. In so doing, the court will bear in mind that the respondent and third parties may have the benefit of the usual undertaking as to damages given by the applicant to the court. If the interlocutory injunction would, in practical effect, bring the dispute to an end (e.g., because the respondent's business would be irreversibly affected, or the fast-moving nature of the market is such that, by the time the dispute is ultimately determined, the respondent's product will no longer be commercially valuable), then this is a matter that can weigh against granting the injunction or at least suggest that the applicant has to make out a stronger *prima facie* case. Equally, if third parties would be adversely affected in a way that is unlikely to be compensated by the usual undertaking as to damages, then this can also be a matter weighing against an interlocutory injunction.

Ultimately, the balancing exercise is a discretionary one and an exercise that depends on the particular circumstances of each case.

#### 2.6.4.3 Undertaking as to damages

If an applicant seeks an interlocutory injunction, it will almost always be required to give an undertaking as to damages. The form of the undertaking is as set out in the *Usual Undertaking as to Damages Practice Note (GPN-UNDR)*.<sup>68</sup> In essence, the undertaking requires the applicant to undertake to the court to submit to such order as the court may consider to be "just" for the payment of compensation to any person (whether or not that person is a party) affected by the operation of the interlocutory injunction and to pay such compensation. That is, if at the final hearing (and after exhausting appeals) the applicant is unsuccessful in establishing an entitlement to a final injunction for patent infringement, it will be required to compensate those who have been adversely affected by the interlocutory injunction, which may be the respondent and any third parties, in the period in which it operated.

In pharmaceutical patent matters, the Australian Government has adopted a practice of making substantial claims on the usual undertaking as to damages in circumstances where a patentee applicant has succeeded in obtaining an interlocutory injunction to restrain exploitation in Australia of a second brand of the patentee's product but has ultimately failed (whether at trial or on appeal) to secure a final injunction.

Claims on the usual undertaking as to damages in the context of pharmaceutical patent cases have tended to become protracted and difficult, with the result that it cannot be assumed that claims on the usual undertaking as to damages will be successful. This is relevant to assessing the balance of convenience.

#### 2.6.4.4 *Quia timet* injunctions

It may be the case that a patentee applicant becomes aware that a respondent is taking preliminary steps toward undertaking actions that would infringe a patent, but the respondent has not yet undertaken any act that infringes the patent. In that case, an applicant can seek an interlocutory injunction on a *quia timet* basis – that is, an injunction to stop threatened patent infringement. The same principles as outlined above apply, but, in this case, the applicant will also have to establish with some degree of probability that a respondent intends to ultimately do something that will infringe the patent. *Quia timet* injunctions are often sought in the context of pharmaceutical patents, where the highly regulated nature of the market is such that certain public steps have to be undertaken before a product can be launched on the market.

67 *Sanofi-Aventis Deutschland GmbH v. Alphapharm Pty Ltd (No. 3)* [2018] FCA 2060; 138 IPR 242 (Burley J) at [120]–[185].

68 Federal Court of Australia, *Usual Undertaking as to Damages Practice Note (GPN-UNDR)*, Oct. 25, 2016.

## 2.6.5 Discovery and gathering of information

This section focuses on discovery processes in the Federal Court of Australia, given that patent matters are primarily conducted in that jurisdiction. Discovery is one type of court-mandated process that requires one party to litigation to disclose documents (or the existence of documents) to another.<sup>69</sup> Three other court-mandated document disclosure processes are: notices to produce and subpoenas, which are addressed briefly in Section 2.6.5.4, and preliminary discovery, which is addressed in 2.6.5.5.

Discovery in the Federal Court is governed by Part 20 of the Federal Court Rules 2011 (Cth) as elucidated in the Federal Court's *Central Practice Note: National Court Framework and Case Management (CPN-1)* Part 10, the Intellectual Property Practice Note (IP-1) paragraphs 6.14–6.16 and 9.1, and the *Technology and the Court Practice Note (GPN-TECH)* Part 3, which all also relate to the court's processes regarding discovery.

### 2.6.5.1 Circumstances in which discovery will be ordered

Discovery may only occur by order of the court.<sup>70</sup> An order for discovery will only be made if it would "facilitate the just resolution of the proceeding as quickly, inexpensively and efficiently as possible."<sup>71</sup> That is, there is no right to discovery, and the court is not bound by any agreement between the parties regarding discovery. A court may refuse to order discovery, amend its scope or defer consideration of it until a later point in the proceeding. If a party seeks discovery in advance of all parties filing and serving their affidavit evidence, it is likely that the party will need to justify to the court why discovery should be ordered at that stage of the proceeding. The court may consider that the goals in Rule 20.11 of the Federal Court Rules 2011 (Cth) are more likely to be achieved if discovery is ordered after all parties have filed and served their affidavit evidence. By adopting such a course, the burden of discovery may be minimized on the basis that any specific gaps in the evidence that need to be filled by way of discovery are more likely to be known.<sup>72</sup>

"Standard discovery" refers to a party being ordered to produce all documents that are directly relevant to the issues raised on the pleadings that can be located after a reasonable search. The burden of such discovery can be significant. *Central Practice Note* paragraph 10.7 states that discovery should be proportionate to the nature, size and complexity of the case. However, the usual course in patent matters is for parties to negotiate "categories" of discovery, in which documents answering certain specific descriptions are sought. This is known as "nonstandard discovery" and is dealt with in Rule 20.15. For example, a category might seek documents recording or evidencing the steps undertaken in a particular manufacturing process where that would be relevant to proving infringement of a method or process claim.

There is no formal process for negotiating discovery categories. Usually, at a suitable stage of the litigation, parties will exchange correspondence outlining the categories they seek and then negotiate to reach agreement, for example, on the wording of those categories and the timing of document production. If agreement cannot be reached on some issues, the matter is usually brought before the docket judge by way of an interlocutory application, supported by an affidavit or a list of correspondence or undisputed documents under Rule 17.02. A judge will expect parties to have attempted to resolve differences regarding the categories as far as possible before ruling on the categories to be ordered. The judge will also expect the parties to have determined a suitable timetable for production – that is, to have considered how long the discovery process is likely to take given the scope of searches, investigations and reviews of the documents that need to be undertaken.

A party may oppose categories of discovery sought by another party on various bases. Grounds often include that (a) the documents sought are not directly relevant to an issue in the

69 The Federal Court Rules 2011 (Cth) also provide for nonparties to litigation to give discovery (rr. 20.23–20.25, 20.33), but, in practice, the primary process by which third party documents are sought and disclosed is through subpoenas.

70 Federal Court Rules 2011 (Cth) r. 20.12. Despite this, it is commonplace for parties to litigation to make limited requests for the disclosure of documents and for such disclosure to be provided on an informal basis, to avoid the cost and expense of going through formal court processes to obtain those documents. Indeed, this process is encouraged by the court. Federal Court of Australia, *Central Practice Note: National Court Framework and Case Management (CPN-1)*, Dec. 20, 2019, [10.3].

71 Federal Court Rules 2011 (Cth) r. 20.11.

72 The earliest point in time a party can seek discovery is 14 days after a defense has been filed. Federal Court Rules 2011 (Cth) r. 20.13(3).

proceedings, (b) the documents are not necessary for a party to prove its case or impugn the case of its opponent, (c) the request is “fishing” (e.g., a speculative attempt to locate documents that would allow the requesting party to plead a new case), (d) the category is unnecessarily broad or is oppressive in that it would be unreasonably burdensome for the receiving party to comply with the category, and (e) the category would only produce documents that would be privileged, and there is no reasonable submission that such privilege has been waived. These matters are usually resolved at a hearing by reference to the pleadings; however, in contending that a category is oppressive, parties tend to file affidavit evidence from a solicitor outlining the scope of searches, investigations and reviews of documents required to satisfy the category. Notwithstanding such evidence, the court may order discovery in the category on the basis that the party need only conduct a reasonable search for documents as set out in Rule 20.14(3).

### 2.6.5.2 Process of giving discovery

Unless otherwise ordered, a party must undertake a reasonable search for documents falling within the scope of any discovery categories ordered that are in its possession, power or control. Rule 20.14(3) of the Federal Court Rules 2011 (Cth) outlines matters to consider when determining what constitutes a “reasonable” search in the particular circumstances of a proceeding.

There are two distinct steps in giving discovery: (a) the provision of a list of documents and (b) the production of the documents themselves. Rule 20.17(1) provides that a party “gives discovery” to another by providing a list of documents in accordance with Rule 20.18. A list of documents is prepared in the form of Federal Court Form 38, which is available from the Federal Court website. The list of documents must be sworn or affirmed by a suitable representative of a party: that is, someone with sufficient knowledge regarding the documents to which the list of documents relates.<sup>73</sup> Rule 20.17 provides that a list of documents must outline, in some degree of detail, the documents falling within the categories that are or were in a party’s possession or control. Where a document is no longer, but once was, in the party’s possession or control, an explanation must be given as to when and how the document left the party’s possession. The list of documents must also set out documents over which a party claims privilege.

Rule 20.32 provides that a party may seek an order from the court for the production of documents referred to in a list of documents. Such an order is usually made prospectively at the same time as other orders regarding discovery. The usual course is for copies of documents to be produced electronically from one party to another unless there is some particular reason for some other order (e.g., if the authenticity of a document is disputed, it may be necessary to produce the original version of the document).

A party’s discovery obligations are ongoing.<sup>74</sup> That is, after the provision of the list of documents occurs, a party is under an ongoing obligation to notify the other party if it uncovers a document that is within the discovery categories ordered but which is not in the list of documents. This may be due to oversight or because the document was created after the list of documents was created. However, a party does not have to produce privileged documents that are created after the proceeding commenced.<sup>75</sup>

### 2.6.5.3 Refusal to produce documents

There are two bases on which a party can seek to restrict production of a document, whether in whole or in part (i.e., by masking parts of the document).

First, a party may refuse to produce a document on the grounds of legal professional privilege or public interest privilege.<sup>76</sup> Procedurally, the usual course in relation to disputed claims of privilege involves (a) a party, in its list of documents, asserting that a document is privileged from production; (b) if there is a dispute about the claim of privilege (e.g., on the basis that such a document could not be privileged, or that privilege in the document has been waived either expressly or implicitly), the other party filing an interlocutory application seeking an order compelling production of the document, for example, under Rule 20.32 of the Federal Court Rules 2011 (Cth), supported by an affidavit or a list of correspondence or undisputed documents under

73 Federal Court Rules 2011 (Cth) rr. 20.17(4), 20.22.

74 Federal Court Rules 2011 (Cth) r. 20.20.

75 Federal Court Rules 2011 (Cth) r. 20.20(2).

76 Federal Court Rules 2011 (Cth) rr. 20.01–20.02.

Rule 17.02; and (c) the court deciding whether to grant the order compelling production of the document at a hearing.

Second, a party may seek to restrict production of a document on the basis of commercial confidentiality. Often, in patent proceedings, the litigants will be competitors. Documents produced may disclose commercially confidential matters. The usual course is for parties to negotiate a suitable protocol for dealing with such documents prior to production. For example, the parties may agree that the documents are only to be produced to external lawyers and counsel and to expert witnesses, but not to representatives of the party themselves. If the parties are unable to agree on a suitable protocol for dealing with confidentiality, it may be necessary to seek orders dealing with such issue from the docket judge.

#### 2.6.5.4 Alternative procedures to discovery

The Federal Court of Australia encourages flexible and alternative ways of obtaining evidence that a party may otherwise seek by way of discovery. Examples of this in a patent context are product and process descriptions. In the context of proving infringement of a product or process claim, it may often be difficult for a party to know which documents to seek from the other or to prove from documents alone whether such a process infringes all the integers of a claim. Intellectual Property Practice Note (*IP-1*) paragraphs 6.14–6.16 state that, in such a situation, a court may order an alleged infringer to prepare and serve a sworn statement from a suitably knowledgeable person as to the nature of the alleged infringer's product or process to allow the other party to make out its case on infringement or to seek documents in a more targeted manner.

Notices to produce are another process by which a party can seek documents from another party. While the precise boundaries between a notice to produce and discovery by way of categories can appear unclear, the primary difference is that notices to produce are a more targeted process and must be directed to the production of specifically identified documents. There are two kinds of notices to produce. The first is requests for documents referred to in a party's pleading or affidavit, which occurs without the supervision of the court unless there is a dispute as to the notice (e.g., a dispute as to whether the pleading or affidavit in fact "refers to" the document sought in the notice).<sup>77</sup> The second is orders for the production to the court of certain documents.<sup>78</sup> Production under Rule 30.28 of the Federal Court Rules 2011 (Cth) is not limited to during trials, and a practice has developed of parties seeking production of documents before the registrar under Rule 30.28 at any time in a proceeding. Documents sought under this rule are not only limited to documents referred to in an affidavit or pleading.<sup>79</sup>

Finally, documents may be sought from nonparties by way of subpoenas for the production of documents.<sup>80</sup> Subpoenas are governed by Part 24 of the Federal Court Rules 2011 (Cth) and are also addressed in Parts 1–10 of the *Subpoenas and Notices to Produce Practice Note (GPN-SUBP)*. Subpoenas are a substantial topic in their own right, and it is beyond the scope of this section to deal with them in any detail. Like discovery, there is not a "right" to a subpoena. Subpoenas may only be issued with leave of the court.<sup>81</sup> Subpoenas are issued by the court, not a party, so compliance is owed to the court, not the party seeking the subpoena. Given that a failure to comply with a subpoena constitutes contempt of court,<sup>82</sup> and subpoenas impose burdens on nonparties to the litigation, there are detailed and strict rules regarding the form and service of subpoenas.<sup>83</sup> Like discovery, subpoenas will usually seek the production of categories of documents. However, those categories will usually need to be more confined and prescriptive than categories sought on discovery, owing to the fact that the subpoena recipient is a nonparty and will not be familiar with the issues in a proceeding.

A further difference between discovery on the one hand and notices to produce and subpoenas on the other is that a category for discovery may be more broadly described and a party giving discovery has the obligation to search for and produce all documents relevant to the proceedings within that category. A notice to produce and a subpoena generally require greater specificity of

77 Federal Court Rules 2011 (Cth) r. 20.31.

78 Federal Court Rules 2011 (Cth) r. 30.28.

79 See also Federal Court of Australia, *Subpoenas and Notices to Produce Practice Note (GPN-SUBP)*, Oct. 25, 2016, pt 11.

80 Subpoenas may also be sought to require a person to attend court to give evidence.

81 Federal Court Rules 2011 (Cth) r. 24.01.

82 Federal Court Rules 2011 (Cth) r. 24.23.

83 Federal Court Rules 2011 (Cth) rr. 24.12–24.13, 24.16.

description of the documents sought and the recipient is entitled to read the described category sought narrowly and produce only documents strictly within that category.

#### **2.6.5.5 Pre-action or preliminary discovery**

Rules 7.22 and 7.23 of the Federal Court Rules 2011 (Cth) provide for two types of pre-action discovery. Rule 7.22 allows a prospective applicant to obtain discovery from a third party to ascertain the description of a prospective respondent, subject to satisfying the jurisdictional prerequisites set out in Rule 7.22(1) and the court's discretion in Rule 7.22(2). Rule 7.23 allows a prospective applicant to obtain discovery from a prospective respondent of documents directly relevant to the question of whether the prospective applicant has a right to obtain relief, subject to satisfying the jurisdictional prerequisites in Rule 7.23(1) and the court's discretion in Rule 7.23(2). That is, subject to those matters, Rule 7.23 allows a prospective applicant to "fish" for a case against a prospective respondent.

Each of the jurisdictional prerequisites in Rule 7.23(1) must be satisfied. A prospective applicant must satisfy the court that it reasonably believes that it "may" have the right to obtain relief in the court from a prospective respondent and that, after making reasonable inquiries, it does not have sufficient information to decide whether to start a proceeding in circumstances where the documents sought by discovery would assist in making the decision.

The mechanism under Rule 7.23 can be useful for obtaining documents to determine whether a product being sold in Australia is being made using a patented process.

### **2.6.6 Summary proceedings (summary adjudication)**

#### **2.6.6.1 Availability of summary adjudication**

In the Federal Court of Australia summary adjudication is available both to applicants (i.e., the party alleging infringement of a patent) and respondents (i.e., the party defending an allegation of infringement of a patent).

The procedural rules relating to summary adjudication are set out in Rule 26.01 of the Federal Court Rules 2011 (Cth). An application for summary adjudication requires an affidavit stating the grounds of the application and the facts and circumstances relied on to support those grounds.<sup>84</sup>

#### **2.6.6.2 Basis for summary adjudication – "no reasonable prospect" of success**

The power of the court to give summary adjudication is provided by Section 31A of the Federal Court of Australia Act 1976 (Cth). The court may give summary judgment in favor of an applicant if the court is satisfied that the respondent "has no reasonable prospect of successfully defending the proceeding,"<sup>85</sup> and it may summarily dismiss a proceeding if it is satisfied that the applicant "has no reasonable prospect of successfully prosecuting the proceeding or that part of the proceeding."<sup>86</sup>

Section 31A(3) specifies that a defense or proceeding need not be "hopeless" or "bound to fail" for it to have "no reasonable prospect of success." This is because the "no reasonable prospect of success" standard was adopted in Section 31A to make it easier for a party to obtain summary adjudication, in comparison with the common-law standard that previously applied, which required a proceeding or defense to be "hopeless" or "bound to fail" before summary judgment or summary dismissal could be ordered. A "reasonable prospect of success" is a "real," rather than "fanciful," prospect.<sup>87</sup>

The court's power to make orders for summary judgment or summary dismissal is discretionary.<sup>88</sup> The court will exercise its powers in relation to summary adjudication with caution.<sup>89</sup> This is particularly so where an application for summary judgment or summary dismissal requires consideration of apparently complex questions of fact, law, or mixed law and

<sup>84</sup> Federal Court Rules 2011 (Cth) r. 26.01(2).

<sup>85</sup> Federal Court of Australia Act 1976 (Cth) s. 31A(1)(b).

<sup>86</sup> Federal Court of Australia Act 1976 (Cth) s. 31A(2)(b).

<sup>87</sup> *Spencer v. Commonwealth* (2010) 241 CLR 118, [22].

<sup>88</sup> *Australian Securities and Investments Commission v. Cassimatis* (2013) 220 FCR 256, [50].

<sup>89</sup> *Spencer*, 241 CLR, [24].

fact.<sup>90</sup> Where there are factual issues capable of being disputed and in dispute, the summary disposition of the proceeding would not be appropriate.<sup>91</sup> A proceeding will not be determined summarily unless it is clear that there is no real question to be tried.

The party bringing the application for summary determination bears the onus of persuading the court that the proceedings should be determined summarily prior to a full hearing (and prior to other court processes that may not yet have occurred, such as discovery). That onus is “heavy.”<sup>92</sup> If a *prima facie* case in support of summary determination is established, the onus shifts to the opposing party to point to some issue that makes a trial necessary.<sup>93</sup>

### 2.6.6.3 Summary adjudication in patent litigation

A summary judgment application could be brought by a patentee on the basis that the respondent has “no reasonable prospect” of defending the allegation that its product or method infringes the patent. For example, the respondent may admit to the factual allegations of making, using or selling the relevant product or method, with the only issue needing to be determined by the court being whether that product or method infringes the patent. In these circumstances, the applicant could consider its case on infringement to be so clear that the respondent has “no reasonable prospect of successfully defending” the allegations of infringement.

By the same token, a respondent who is alleged to have infringed a patent could bring a summary dismissal application on the basis that its product or method plainly does not infringe the patent such that the applicant has “no reasonable prospect of successfully prosecuting the proceeding.”

A respondent could also bring a summary dismissal application on the basis that the patent is invalid. For example, if there is a publication that disclosed all of the integers of the invention claimed in the patent, but there is a dispute about the priority date of the patent and therefore a dispute about whether the publication is relevant prior art, then the respondent may decide to make an application for summary dismissal on the basis that the priority date issue can be determined without extensive evidence.<sup>94</sup> In such a case, determination of the priority date issue would effectively determine the issue of patent validity.

In practice, however, summary adjudication is rarely sought in patent litigation in Australia, either by applicants or by respondents. This is likely due to the fact that patent proceedings generally involve complex questions of fact and law, which are generally not appropriate for summary determination.<sup>95</sup>

## 2.6.7 Evidence

Patent litigation proceedings are typically commenced by a patentee alleging infringement, with the respondent denying infringement and cross-claiming for revocation of the patent. The court typically hears and determines infringement and invalidity simultaneously.

Once initial procedural steps, including the filing of pleadings, are completed, each party prepares evidence in accordance with a timetable set by the court. Evidence in patent cases is usually provided in the form of written and verified affidavits. Documents can be annexed or exhibited to affidavits, which are then tendered in court and admitted as evidence. Prior to trial, there will usually be one or more case management conferences and procedural steps to identify which affidavit evidence will be relied on at trial. Each party also notifies which of the opposing parties’ witnesses it will call for cross-examination.

At the trial, any affidavit evidence upon which a party intends to rely will be formally “read” by the party relying on it and admitted into evidence. A person that has given evidence in affidavit form may be required to appear for oral cross-examination by the opposing party. Cross-examination of the witness is not confined solely to matters in the witness’s affidavit: any issue relevant to the proceedings can be canvassed. After cross-examination is completed, the party calling the witness has the right to reexamine the witness in relation to matters arising out of cross-examination.

90 *Spencer*, 241 CLR, [24].

91 *Spencer*, 241 CLR, [24], [25].

92 *Australian Competition and Consumer Commissions v. FDRA Pty. Ltd.* [2016] FCA 429, [27].

93 *Jefferson Ford Pty Ltd v. Ford Motor Company of Australia Ltd* (2008) 167 FCR 372, [127].

94 See, e.g., *Pilkin v. Sony Australia Limited (No. 2)* [2019] FCA 980.

95 See, e.g., *Expo-Net Danmark A/S v. Buono-Net Australia Pty. Ltd. (No. 2)* [2011] FCA 710, [12], [55].

### 2.6.7.1 Expert evidence

Issues of patent construction and, consequently, infringement and validity are considered through the lens of a notional addressee of the patent specification – a person skilled in the art. The background and experience of the person skilled in the art will differ depending on the subject matter of the specification. Of course, ultimately, these issues are determined by the court. While the Federal Court judges who hear patent cases are generally highly experienced and often former patent counsel themselves, they do not always have technical qualifications. Consequently, in almost all patent cases, independent expert evidence is called to assist the court in placing itself in the position of the person skilled in the art.

While the Federal Court of Australia can appoint its own expert or assessor (technical assistant), these powers are rarely used, and, in the majority of cases, competing experts are engaged by the parties themselves. The purpose of expert evidence is for the court to receive the benefit of the objective and impartial assessment of an issue using the specialized knowledge of the expert.<sup>96</sup>

Where an expert witness is retained for the purpose of preparing a report or giving evidence as to an opinion held by the expert based on their specialized knowledge, the expert is provided with the Federal Court's *Expert Evidence Practice Note (GPN-EXPT)* and all relevant information so as to enable the expert to prepare an independent report. The expert's ultimate obligation is to assist the court rather than act as an advocate for a party. The parties and their legal representatives have obligations to maintain the independence of the expert witness and must not pressure or influence the expert into conforming their views with the parties' interests.

Expert evidence can assist the court on a number of issues arising in a patent case. Importantly, in relation to patent construction, expert evidence can assist the court in understanding the context of a patent and the meaning of any technical terms or "terms of art."<sup>97</sup> On infringement, expert evidence can assist the court in understanding the functionality and features of an alleged infringing product or process and how it may map to the patent claims in issue. In relation to validity, expert evidence can assist the court in understanding the extent and nature of disclosures in the prior art to assist in a novelty assessment. Further, expert evidence is often relied on to establish the state of the CGK in the relevant field before the priority date. This is an important step in assessing whether the claimed invention would have been "obvious" to a person skilled in the art.

The court will hear and assess the evidence from the competing persons skilled in the art called by the parties, but, ultimately, all these issues are for determination by the court.

### 2.6.7.2 Position statements, product descriptions and "primers"

In appropriate cases, the party alleging patent infringement may be required to provide a position statement on infringement. This is a document that supplements an infringement pleading and provides more detail on how the patentee alleges the impugned product takes the features of the patent claims. It concisely states the facts and matters relied upon in support of the infringement allegation, including reference to the integers of any claim alleged to have been infringed. While it does not constitute evidence in the case, it will often be prepared with input from an expert.

The respondent is often required to provide a position statement on (non)infringement in response. In some cases, the respondent may also be required to provide a product description. This is a detailed description of the product or process alleged to be infringed. This procedure has been developed in an attempt to avoid time-consuming and costly discovery or experimental procedures for establishing the form and functionality of the alleged infringement. The product description is generally verified by an officer of the respondent with knowledge of the product.

In an appropriate case, the court may require the parties to produce an agreed primer. This identifies the agreed technical background to the invention claimed in the patent. The primer typically includes an agreed description of the CGK at the priority date. In an appropriate case, the primer may be accompanied by an agreed glossary of key terms. The primer provides a starting point for the court in addressing the state of the art, particularly in relation to validity.

<sup>96</sup> See generally Federal Court of Australia, *Expert Evidence Practice Note (GPN-EXPT)*, Oct. 25, 2016.

<sup>97</sup> *Commissioner of Patents v. Rokt* [2020] FCAFC 86, [73].

### 2.6.7.3 Conference of experts and joint report

Where multiple experts are retained to provide evidence to the court, the court increasingly requires that experts meet in a conference ahead of the trial to attempt to narrow the issues between them. There is often a lot of background information in the experts' affidavit evidence in relation to the technology in issue and the CGK that is not controversial. The parties and their legal representatives do not participate in the expert conference, but, often, a court officer such as a registrar will be called on to facilitate.

At the conclusion of the conference, the experts prepare a joint report, which identifies the issues in respect of which they agree or disagree. The joint report typically contains a succinct explanation for any differences of opinion. This procedure enables the court and the parties to focus on the issues that are genuinely in dispute at the trial.

### 2.6.7.4 Concurrent evidence

In most patent cases, the Federal Court of Australia has adopted the practice of concurrent expert evidence (also colloquially known as "hot-tubbing"). At the trial, after being sworn in, the experts engaged by each party are questioned together. Prior to a hearing at which concurrent expert evidence is to be given, the parties and their legal representatives confer and consider an agenda, an order and manner in which questions are to be asked, and whether cross-examination will take place during concurrent with evidence, or after its conclusion.

Concurrent expert evidence typically involves the following process:

1. The parties' experts prepare a joint report, identifying their areas of agreement and disagreement.
2. The experts are called into the witness box together.
3. Each expert takes turns in giving evidence.
4. An expert can comment on another expert's evidence.
5. The parties' representatives cross-examine the experts, with each expert being able to give evidence and comment on another expert's evidence.

This practice allows an expert to consider and comment on another expert's opinion in real time and allows the court and the parties to focus on the real issues in dispute. The objective is to facilitate an environment whereby the experts, the parties and the court can engage in a dialogue that enables a thorough and frank examination of the issues.

### 2.6.7.5 Expert evidence in infringement proceedings

Expert evidence relating to infringement claims is prepared and presented in a similar fashion to invalidity evidence.

The infringement issues on which expert evidence is commonly received include:

- technical matters bearing on the proper construction of the specification and claims;
- evaluation of whether a product or process possesses the integers of relevant claims (e.g., by an engineer, clinician, industry expert or patent attorney);
- matters of industry knowledge relevant to infringement (e.g., the uses to which a particular product may be put or the characteristics of a market in which the product is supplied); and
- calculations bearing on the quantum of relief to which an applicant may be entitled on an account of profits or by way of compensatory damages.

Although infringement issues may, to an extent, be separated from invalidity issues in joint report and concurrent evidence processes, there is a significant degree of overlap between the issues (particularly in relation to construction and CGK) such that a party will often have one or more experts giving evidence on infringement and invalidity issues in the proceeding.

### 2.6.8 Case-specific education of decision-makers

In patent cases, there are a number of tools used by the court to familiarize the judges with the technology of the patent(s) in issue. These tools have been outlined earlier in this section and include the use of expert affidavits, product and process descriptions, agreed primers, joint expert reports and concurrent evidence.

In complex matters, the court may direct opposing experts to commence their oral evidence by each presenting a short tutorial addressing the background technology to the dispute. This may be accompanied by such PowerPoint or other presentation material as the expert thinks fit. To the extent necessary, the opposing expert may point out areas of disagreement or expand on the subjects addressed by the other expert. The purpose of doing so is to allow for the court to be educated in the relevant background material to the dispute in a way that permits the judge to engage with the presentation and develop an introductory understanding of the subject matter. The transcript of the tutorial and any supporting material stands as evidence, and the legal representatives are permitted to cross-examine on its contents.

The Federal Court employs a number of processes which facilitate the case specific education of decision-makers.

Once the case has proceeded to trial, the Court regularly employs a number of innovative processes aimed toward educating trial judges in the specifics of the case. Most notably, in patent cases involving several expert witnesses it is common for the Court to order the preparation of a joint expert report following the filing of expert affidavits. This will involve a meeting being convened between the experts, often facilitated by a registrar of the Court, aimed at synthesizing the issues in respect of which the experts agree and disagree. During this meeting, the experts are encouraged to reach agreement on the issues relevant to the case and, where that is not possible, provide a brief explanation of the reasons for their disagreement. This meeting will culminate in the production of a joint expert report to be tendered in evidence. At the hearing, it is likely that the evidence of the experts who contributed to the preparation of the joint expert report will be given concurrently. This means that the experts will be questioned together, promoting a frank dialogue between the experts and enabling the further clarification of any differences of opinion.

### 2.6.9 Confidentiality

Australian courts operate under a principle of open justice. However, open justice is not an absolute concept, and, on occasion, it must be balanced with other considerations, including commercial confidentiality.

During patent-related court proceedings, the first stage at which issues concerning confidentiality are likely to arise is during either disclosure processes (e.g., discovery) or the service of evidence. At these stages, the confidentiality issues that arise are more likely to concern the disclosure of confidential information to the opposing party (who is often a commercial competitor) rather than to the public at large. Generally, a party that receives documents that have been served for the purposes of litigation will be under an obligation to use those documents only for the purposes of the proceedings in respect of which the documents were served (i.e., not for the purposes of other proceedings or for other commercial or noncommercial purposes).<sup>98</sup>

Beyond that general obligation, it is common for parties serving documents containing confidential information to require the party receiving the documents to give an undertaking restricting the use and disclosure of those documents. The undertakings are given either *inter partes*, to the court, or to both. The form of such undertakings is often resolved between the parties without the intervention of the court; however, the court may become involved if a dispute about confidentiality arises that the parties are unable to resolve between themselves. For example, there may be a dispute about whether access to documents should be restricted to external legal representatives or whether it is necessary that the party or its employees also have access to the documents. In such circumstances, the court balances the competing considerations of the risk of inadvertent or accidental disclosure against the benefits of a party having access to relevant information so that appropriate advice can be given to the client and informed instructions may be received from the client.<sup>99</sup>

In accordance with the principle of open justice, hearings of court proceedings in Australia are conducted in public, and evidence adduced in proceedings at a hearing becomes public. Any agreement between the parties to keep information confidential will not keep evidence given in

<sup>98</sup> *Hearne v. Street* (2008) 235 CLR 125.

<sup>99</sup> See, e.g., *AstraZeneca AB v. Medis Pharma Pty. Ltd.* [2014] FCA 549.

open court from becoming public. Any party wishing to rely on evidence at trial while keeping that evidence confidential will need to seek suppression or nonpublication orders from the court. Such orders may also be sought from the court at earlier stages of the proceedings if the parties are unable to agree on a confidentiality regime between themselves.

In the Federal Court of Australia, the power to make these orders is provided by Section 37AF of the Federal Court of Australia Act 1976 (Cth). The most relevant ground for making such orders is that the order is necessary to prevent prejudice to the proper administration of justice.<sup>100</sup> In deciding whether to make an order, the Court must take into account that a primary objective of the administration of justice is to safeguard the public interest in open justice. Commercial disadvantage that may arise from the disclosure of confidential information may be a basis for the making of a suppression or nonpublication order because the occasioning of such disadvantage may prejudice the proper administration of justice.<sup>101</sup> Such orders are not made in perpetuity, and the Court is to ensure that the order operates for no longer than is reasonably necessary to achieve the purpose for which it is made.<sup>102</sup> Interim confidentiality orders may also be made under Section 37AI, pending the Court's determination of whether an order should be made under Section 37AF.

### 2.6.10 Alternative dispute resolution

Under the legislation and court rules of the Federal Court, there are mechanisms by which parties may elect to participate in, or be referred by the Court to, a number of alternative dispute resolution (ADR) processes. Further, under the court rules, the parties are required to "consider options for alternative dispute resolution, including mediation, as early as is reasonably practicable."<sup>103</sup>

The court may refer the entire proceedings or part of a proceeding to mediation (or arbitration).<sup>104</sup> In patent litigation in Australia, mediation is far more common than arbitration. This may reflect the fact that an arbitrator cannot revoke a patent. Alternatively, the parties to the proceedings may also make an application to the court for an order to be referred to mediation or arbitration.<sup>105</sup> Parties may also arrange for ADR processes to be initiated with a private mediator outside of the court proceedings, although if this is the case, the parties are obliged to seek directions regarding the case management of the proceedings from the court.<sup>106</sup>

In some cases, the entire patent infringement or validity case may be referred to a form of ADR early in the proceedings. However, parts of the proceedings may be referred to ADR. For example, an interlocutory dispute between the parties regarding the scope of discovery or the quantum of costs may be referred to mediation, to be conducted by a registrar of the court acting as mediator.

If a proceeding is referred to mediation or arbitration, and the parties do not nominate a mediator or arbitrator, a registrar of the Federal Court may be nominated to conduct the ADR process.<sup>107</sup> The registrars are trained in ADR processes and regularly act as mediators in court-facilitated mediations, including in patent matters. The Federal Court's *Central Practice Note* explains:

Where appropriate, the ADR skills of registrars will be drawn on by the Court to help parties resolve issues (whether substantive or procedural) at the earliest and most effective stage of the proceeding and the Court will utilise its technology and innovative meeting arrangements to help to conduct ADR processes in an efficient and cost-effective manner.<sup>108</sup>

100 Federal Court of Australia Act 1976 (Cth) s. 37AG(1)(a).

101 See, e.g., *Vehicle Monitoring Systems Pty. Ltd v. Sarb Management Group Pty. Ltd. (No. 3)* [2020] FCA 7.

102 Federal Court of Australia Act 1976 (Cth) s. 37AJ(2).

103 Federal Court Rules 2011 (Cth) r. 28.01.

104 Federal Court of Australia Act 1976 (Cth) s. 53A(1).

105 Federal Court Rules 2011 (Cth) r. 28.02.

106 Federal Court Rules 2011 (Cth) r. 28.05.

107 Federal Court Rules 2011 (Cth) r. 28.31.

108 Federal Court of Australia, *Central Practice Note: National Court Framework and Case Management (CPN-1)*, Dec. 20, 2019, [9.3].

As a result of the COVID-19 pandemic, there has been increasing use of videoconferencing platforms by the Federal Court, and this technology has been used to facilitate mediations conducted by registrars of the court. Generally, these mediations are conducted on the Microsoft Teams videoconferencing platform, and parties are given access to a joint meeting room (where all parties and the registrar will meet concurrently) as well as individual party meeting rooms (which are used by individual parties to confer during the course of the mediation).

Where mediation is to be conducted by a registrar of the court, the parties may be asked to prepare a nonconfidential position statement (which is exchanged between the parties) and a confidential report (which is shared only with the registrar, on a confidential and without-prejudice basis). Generally, the nonconfidential position statement will set out, at a high level, the parties' arguments on the disputed issue, and the confidential report to the registrar will set out confidential information regarding the parties' assessments of their prospects, costs and other objectives that may be relevant to the mediation.

Mediations conducted by registrars of the court are typically listed for one day, although if the dispute is not resolved, the registrar may extend that period. The parties may be represented by their legal representatives (including their solicitors and barristers). The party will generally also need to have an officer or employee of the party present at the mediation who has authority to agree to any settlement during the mediation. The *Central Practice Note* of the Federal Court explains:

When attending mediation, parties and their legal representatives must attend for the purpose of participating in good faith negotiations and must have the ability, in a practical way and with flexible instructions, to participate meaningfully in negotiations with a view to narrowing the issues in dispute and reaching a mutually acceptable resolution between them by way of compromise.<sup>109</sup>

## 2.7 Civil remedies

Section 122 of the Patents Act 1990 (Cth) provides for the relief available to a patentee where a claim of an asserted patent is found by a court to be infringed. Such relief includes:

- an injunction (subject to such terms, if any, as the court thinks fit);
- either damages or an account of profits (at the election of the patentee); and
- an additional amount in an assessment of damages if the court considers it appropriate to include such an amount (commonly referred to as "additional damages").

Each form of remedy is discussed in turn below.

### 2.7.1 Injunctive relief

In addition to pecuniary remedies (outlined in the next section), permanent injunctive relief is also available.<sup>110</sup> In the ordinary course, a successful patentee will be granted a permanent injunction for the life of a patent.

However, injunctive relief is subject to equitable and discretionary considerations and, therefore, may not be an appropriate remedy in all cases. For example, the appropriateness of a permanent injunction has been queried by the Federal Court of Australia in respect of infringement of a patent claiming a new method of a medical treatment using a therapeutic agent that is also widely used for other non-infringing medical treatments.<sup>111</sup>

Further, the form of the injunctive relief will depend on the specific circumstances of each case. A court can grant a permanent injunction prohibiting infringement in "general form" (i.e., restraining the infringer from infringing a particular patent or patents) or an injunction in terms

<sup>109</sup> Federal Court of Australia, *Central Practice Note: National Court Framework and Case Management*, [9.5].

<sup>110</sup> Patents Act 1990 (Cth) s. 122(1).

<sup>111</sup> *Mylan Health Pty Ltd (formerly BGP Products Pty Ltd) v. Sun Pharma ANZ Pty Ltd (formerly Ranbaxy Australia Pty Ltd)* [2019] FCA 28 [255]–[259].

limited to the specific infringements established at trial, known as a “conduct-based injunction” (where an infringer is restrained from doing those certain acts).<sup>112</sup>

## 2.7.2 Separation of quantum and liability

It is common in patent infringement proceedings for liability to be heard and determined before considering the quantum of pecuniary relief. This is because parties often agree, and the court considers it appropriate, for questions of liability (i.e., infringement and validity issues) to be heard and determined as a separate and preliminary question prior to any hearing on quantum of pecuniary relief.<sup>113</sup>

Due to this bifurcation of liability and quantum, and as a matter of commercial practicalities and convenience, issues relating to pecuniary relief are often resolved *inter partes* after the liability judgment has been given and any appeals have been determined, and before the hearing on pecuniary relief.

A patentee must elect pecuniary relief in the way of either damages or an account of profits: a patentee cannot choose *both* damages and an account of profits. Discovery can also be sought and obtained following a finding of patent infringement to assist the patentee in making the election. An infringer can also be ordered to provide an affidavit or audited accounts with respect to its infringing sales or profits.

### 2.7.2.1 Damages

Damages is a common law remedy, and damages for patent infringement are awarded according to the ordinary principles relevant to tort law. The rationale for an award of damages in patent infringement is to restore the patentee as much as reasonably possible to the position as if the infringement had not occurred. Damages should be assessed liberally and to the best possible approximation. However, a patentee must first demonstrate the requisite threshold elements of causation and reasonable foreseeability in accordance with common law.

The Federal Court of Australia has recognized that there are a number of different ways to calculate damages for patent infringement, including on a “lost sales” basis, using a “reasonable license fee,” or a “user principle” basis, depending on the facts of the particular case. Further, provided foreseeability and causation are demonstrated, damages for patent infringement can also be claimed for the loss of goods that commonly would have been sold with the patented goods, springboarding or on other grounds.

Damages may also attract interest under Section 51A of the Federal Court of Australia Act 1976 (Cth).

#### 2.7.2.1.1 Lost sales

The “lost sales” methodology is often used where the patentee has exploited the patent by manufacturing, production or direct sales, and the infringer is a competitor in the relevant market. However, the onus is on the patentee to show that the relevant sales are actually “lost.” This can be problematic for certain patentees: often, the sale of an infringing item does not (without more) equate to one unit of a lost sale for the patentee. Relatedly, the patentee may also need to prove that the patentee could have satisfied the additional demand and would have made a profit on that sale.

#### 2.7.2.1.2 Reasonable license fee

Conversely, a “reasonable license fee” approach is generally employed by a patentee who exploits a patent through licensing to others. In implementing this methodology, the appropriate measure of damages is considered to be the determination of a license fee, either as would have been agreed to by the patentee or on a notional basis. Again, the onus is on the patentee to demonstrate the amount of a reasonable license fee.

<sup>112</sup> *Calidad Pty Ltd v Seiko Epson Corporation (No. 2)* [2019] FCAFC 168 at [44].

<sup>113</sup> See Federal Court Rules 2011 (Cth) r. 30.01.

### 2.7.2.1.3 “User principle” basis

The “user principle” basis of damages is where a successful patentee can recover a reasonable sum of damages from an infringer who has wrongfully “used” the patentee’s property, even, for example, where the evidence is that the patentee would not have granted a license at all, or if it cannot be shown that the patentee has suffered an actual loss. Using the “user principle” methodology, the quantum of damages is often determined by assessing the amount the infringer would have had to pay for the “use” of the patent, for example, by way of a notional license fee.

### 2.7.2.2 Account of profits

An account of profits requires an infringer to account for and disgorge the profits it made through the infringing conduct. As an account of profits is an equitable remedy, equitable considerations apply, including knowledge of wrongful conduct on the part of the infringer and equitable defenses such as estoppel, laches, acquiescence and delay.

An account of profits is generally calculated by taking the revenue made by the infringer and subtracting any reasonable costs expended that are attributable to the infringing sales, such as costs in respect of manufacturing, marketing and distribution.

Further, if the patent in issue is for a product that is a single component within a larger product (e.g., a SIM card inside a smartphone), a court may require an apportionment of the profits to take into account there being a large proportion of non-infringing parts within the relevant article. This analysis will also depend on whether the infringing part is considered an “essential part” of the article.

### 2.7.2.3 Additional damages

Where a patentee has elected to seek damages for patent infringement, the court also has the discretion to include an “additional amount in the assessment of damages” if it considers it appropriate to do so.<sup>114</sup> Importantly, there is no requirement for any proportionality or relationship between the amount of actual damages awarded and the quantum of any “additional damages.” Relatedly, there is no limit to the quantum of additional damages prescribed by the Patents Act or accompanying regulations. Discovery can also be ordered if considered by the court to be relevant to the additional damages claim.

Section 122(1A) of the Act relevantly sets out the factors that a court can “have regard to” if the court “considers it appropriate to do so.” Importantly, these factors are nonlimiting and include:

- (a) the flagrancy of the infringement; and
- (b) the need to deter similar infringements of patents; and
- (c) the conduct of the party that infringed the patent that occurred:
  - (i) after the act constituting the infringement; or
  - (ii) after that party was informed that it had allegedly infringed the patent; and
- (d) any benefit shown to have accrued to that party because of the infringement; and
- (e) all other relevant matters.

The last criterion – namely, “all other relevant matters” – has been construed to allow parties to seek to rely on a variety of conduct in seeking an award for additional damages.<sup>115</sup>

Additionally, more than mere “copying” is required to enliven the application of Section 122(1A), as the purpose of the additional damages regime is to award such damages in cases of *wilful* infringement of a patent. For example, it is considered not to be a “flagrant” or illegitimate act for a potential competitor to attempt to “work around” a particular patent.

Further, the Federal Court of Australia has found that the fact that an infringer possessed a reasonably arguable belief that the relevant patent was invalid or not infringed is an important factor tending against an award of additional damages. This is so, even if those non-infringement or invalidity defenses are ultimately unsuccessful at trial.<sup>116</sup>

<sup>114</sup> Patents Act 1990 (Cth) s. 122(1A).

<sup>115</sup> See, e.g., *Oxworks Trading Pty Ltd v. Gram Engineering Pty Ltd* [2019] FCAFC 240 [78].

<sup>116</sup> See, e.g., *Zetco Pty Ltd v. Austworld Commodities Pty Ltd (No. 2)* [2011] FCA 848 [267]–[268]; *Oxworks Trading Pty Ltd v. Gram Engineering Pty Ltd* [2019] FCAFC 240 [73], [78].

### 2.7.3 Other remedies

There are number of other remedies available to patent litigants in Australia, including *Mareva* injunctions, *Anton Piller* orders and orders for ancillary final relief (such as the destruction or delivery up of infringing articles).

In broad terms, an Australian court may order a *Mareva* injunction (also known as a “freezing” or “asset protection” order) if it is satisfied that:

- judgment has been given in favor of the applicant, or the applicant has a “good arguable case on an accrued or prospective cause of action”; and
- there is a danger that the judgment or prospective judgment will be wholly or partially unsatisfied because the judgment debtor or prospective judgment debtor has either absconded or removed, disposed of or diminished the value of their assets.<sup>117</sup>

Freezing orders are exceptional in nature, and the applicant for such an order will need to provide the usual undertaking as to damages, being to submit to any order as the court may consider just for the payment of compensation to any person (whether or not that person is a party) affected by the operation of the order. Further guidance on freezing orders, including a sample form of a freezing order, appears in the Federal Court of Australia’s *Freezing Orders Practice Note (GPN-FRZG)*.<sup>118</sup>

In Australia, an *Anton Piller* order (also called a “search” order) may be made if the court is satisfied that (i) the applicant has a “strong *prima facie*” case and will suffer “serious” loss or damage if the search order is not made, and (ii) there is “sufficient evidence” that the respondent possesses important evidentiary material and that there is a real possibility that such material might be destroyed or otherwise unavailable for use in evidence in the proceeding or anticipated proceeding.<sup>119</sup> Applications for search orders are generally made on an *ex parte* basis, require the usual undertaking as to damages and involve the court appointing an independent solicitor to supervise the execution of the search order. Further guidance on search orders, including a sample form of a search order, appears in the Federal Court’s *Search Orders Practice Note (GPN-SRCH)*.<sup>120</sup>

In addition to injunctive relief, it is common for patentees following a successful patent infringement action to request orders for the delivery up or destruction of infringing articles. Whether such ancillary relief should be awarded is ultimately a discretionary question for the court. Among other things, it needs to be shown that the infringing articles that are the subject of the delivery up or destruction order do, in fact, fall within the scope of the claims and that the orders are required (over and above any order for injunctive relief) as additional protection against the risk of future infringement.<sup>121</sup>

It is also not uncommon for successful patentees in Australia to seek declarations of infringement and, if the validity of a patent claim has been questioned and its validity upheld, an order for a certificate of validity under Section 19 of the Patents Act 1990 (Cth). The effect of a certificate under Section 19 is that, if a subsequent revocation proceeding is issued in respect of the claim that is the subject of the certificate, and the patentee is successful in that subsequent proceeding, then the patentee may be entitled to costs on a solicitor and client basis in that subsequent proceeding.<sup>122</sup>

### 2.7.4 Costs

#### 2.7.4.1 General approach to costs

In all courts in Australia, including the Federal Court of Australia, costs are at the discretion of the court. That is, the court may make an order that one party pay the other party’s legal costs for the

117 Federal Court Rules 2011 (Cth) r. 7.35.

118 See Federal Court of Australia, *Freezing Orders Practice Note (GPN-FRZG)*, Oct. 25, 2016.

119 Federal Court Rules 2011 (Cth) r. 7.43.

120 See Federal Court of Australia, *Search Orders Practice Note (GPN-SRCH)*, Oct. 25, 2016.

121 *Streetworx Pty. Ltd v. Artcraft Urban Group Pty. Ltd. (No. 2)* (2015) 322 ALR 557, [109]–[110]; see also *Roussel Uclaf v. Pan Laboratories Pty. Ltd.* (1994) 29 IPR 556, 599–561.

122 See, e.g., *AstraZeneca AB v. Alphapharm Pty. Ltd.* [2014] FCA 419.

proceedings. Legal costs will include the costs of legal representation, including any disbursements such as barristers' fees and expert costs.

Where a costs order is made, the usual rule is that "costs follow the event," meaning that the unsuccessful party will pay the legal costs of the successful party. The total costs ordered against the unsuccessful party are typically payable on a "party and party" basis.<sup>123</sup> Party/party costs are costs that have been fairly and reasonably incurred by the party in the conduct of the litigation. But, as the order is at the court's discretion, on application by a party, the court may order that costs be paid on a different basis, including on an indemnity basis.<sup>124</sup> Indemnity costs allow for the recovery of all of a party's costs except those that have been unreasonably incurred. Under any costs order, a party does not have to pay any costs that have been improperly, unreasonably or negligently incurred.<sup>125</sup>

In most cases, it is not possible for a successful party, even on an indemnity basis, to recover all of their costs. For example, a party awarded costs on a party and party basis may only be entitled to recover approximately 60 percent of these costs once their costs are assessed on a fair and reasonable basis. One reason for this gap between actual costs and what is assessed to be fair and reasonable (on a party and party basis) is that the actual cost of counsel and experts and other legal costs is higher than is allowed for under the court scale.

If a party is only partially successful – or for other reasons – a judge may make no order as to costs, order the unsuccessful party to pay less than 100 percent of the successful party's costs on a party and party basis, or make an order that the successful party pay the unsuccessful party's costs in full or in part. This may occur where one party has not complied with the overarching purpose set out in Sections 37M and 37N of the *Federal Court Act 1976* (Cth) – facilitating the just resolution of disputes according to law and as quickly, inexpensively and efficiently as possible – or has otherwise acted in a way that has wasted costs. It has also become commonplace in patent cases for courts to adopt an issues-based approach to the award of costs – for example, by only requiring an unsuccessful patentee in a revocation action to pay a portion of the successful revoker's costs on the basis that the revoker was successful on some but not other grounds.

Particular reference should be made to Part 40 of the Federal Court Rules 2011 (Cth) concerning costs and the *Costs Practice Note (GPN-COSTS)*<sup>126</sup> in respect of costs in the Federal Court. If the matter is listed in a state court, the equivalent practice notes, rules and legislation applicable in that jurisdiction should be consulted.

The above applies both to first-instance hearings and on appeal. In either case, costs are ordinarily sought by the applicant in the originating application commencing proceedings. Parties are usually heard on the question of costs by the court by way of either or both oral and written submissions at the end of the trial, once reasons for judgment are delivered or when orders are made in relation to the substantive issues in the proceedings.

#### **2.7.4.2 Interlocutory proceedings and other issues**

Parties may apply for costs orders in interlocutory applications. Where a party has been wholly successful in an interlocutory application, they may obtain an order that the other party pay their costs of the application, to be determined similarly to the above.

Where there have been wasted costs, the affected party may seek an order for "costs thrown away." An order of this kind means that, whatever the outcome of the proceedings, a party will be entitled to recovery of those costs. For example, where an applicant has amended its pleadings, resulting in the removal of a cause of action that the respondent has already spent time and money responding to, the respondent may apply for an order for costs thrown away.

If an applicant or cross-claimant discontinues proceedings,<sup>127</sup> an adverse costs order, usually on an indemnity basis, is ordinarily made.<sup>128</sup>

<sup>123</sup> Federal Court Rules 2011 (Cth) r. 40.01.

<sup>124</sup> Federal Court Rules 2011 (Cth) r. 40.02.

<sup>125</sup> Federal Court Rules 2011 (Cth) r. 40.06.

<sup>126</sup> Federal Court of Australia, *Costs Practice Note (GPN-COSTS)*, Oct. 25, 2016.

<sup>127</sup> Federal Court Rules 2011 (Cth) r. 26.12.

<sup>128</sup> Federal Court Rules 2011 (Cth) r. 26.12(7); see also *id.* r. 26.15 (allowing for a stay of a subsequent proceeding where the costs of an earlier discontinued proceeding have not been paid).

### 2.7.4.3 Security for costs

Where a respondent has reason to believe that an applicant may not be able to cover an adverse cost order if its claim is unsuccessful, it may apply for security for costs orders.<sup>129</sup> Upon an interlocutory application seeking security for costs being filed in an existing proceeding, a court will consider the applicant's ability to meet an adverse costs order. This includes whether there is reason to believe that the applicant will be unable to pay the respondent's costs if ordered to do so, whether the applicant ordinarily resides outside Australia, is suing for someone else's benefit, is impecunious or any other relevant matter. These matters should be dealt with by affidavit evidence.

A party may seek further orders that proceedings be stayed until any security ordered has been paid into court. Once paid, the security is held by the court until the conclusion of the proceedings. If security is not paid as ordered, a respondent may apply for the proceedings to be dismissed.<sup>130</sup>

### 2.7.4.4 Offers of compromise and *Calderbank* offers

The costs a party is liable to pay may also be affected by the existence of a valid offer of compromise made under the Federal Court Rules<sup>131</sup> or of a *Calderbank* offer.<sup>132</sup> In both cases, form requirements must be met for the offers to be accepted by the court as within these categories. If accepted, and depending on the offer made and the outcome of the case, one or the other party may be entitled to have their costs paid on an indemnity basis from the date of the offer or as otherwise provided for by the Federal Court Rules.

Such offers are frequently made throughout proceedings to protect a party's costs position with the aim of efficiently settling proceedings to avoid incurring unnecessary costs. The court should not be informed of any settlement offers before the substantive issues in the proceedings have been determined.

### 2.7.4.5 Assessment of costs

Where a court makes an order for payment of a party's costs, and failing agreement by the parties as to the quantum to be paid, the costs must be taxed in accordance with the Federal Court Rules (e.g., on a party and party basis or an indemnity basis). As part of this process, a costs assessor will be engaged to assess the costs payable to the party in whose benefit the order was made.<sup>133</sup> This is known as the taxation process. A costs assessor is an independent specialist knowledgeable about the costs rules and industry costs.

Once the costs assessor has assessed the costs, a report is provided to the court, and, if there is no dispute, orders will be made that the liable party pay the assessed amount. If the parties are unable to agree on the assessment of costs, there may be a hearing to determine the costs payable. However, courts seek to avoid hearings on costs, which are lengthy and expensive. Party cooperation in respect of costs is therefore expected in order to avoid a contested costs hearing.

Compromises such as an agreed lump sum payment for costs are another way to streamline the costs process, orders for which the court may make upon application by the parties.<sup>134</sup>

## 2.8 Other patent-related actions

### 2.8.1 Actions for declarations of non-infringement

A person who has done, is doing or is intending to do an act may apply to the court for a declaration that the doing of the act does not or would not infringe a patent.<sup>135</sup> An application may be made whether or not the patentee has made any assertion to the effect that the doing of the act has or would infringe the claim.<sup>136</sup>

129 Federal Court Rules 2011 (Cth) r. 19.01.

130 Federal Court Rules 2011 (Cth) r. 19.01.

131 Federal Court Rules 2011 (Cth) pt 25.

132 Based on the principle in *Calderbank v. Calderbank* [1975] 3 All ER 333, which has been applied by Australian courts in innumerable cases.

133 Federal Court Rules 2011 (Cth) div. 40.2.

134 Federal Court Rules 2011 (Cth) r. 40.02.

135 Patents Act 1990 (Cth) s. 125(1).

136 Patents Act 1990 (Cth) s. 125(2).

The court must not make a non-infringement declaration unless

- (a) the applicant for the declaration:
  - (i) has asked the patentee in writing for a written admission that the doing of the act has not infringed, or would not infringe, the patent; and
  - (ii) has given the patentee full written particulars of the act done, or proposed to be done; and
  - (iii) has undertaken to pay a reasonable sum for the patentee's expenses in obtaining advice about whether the act has infringed or would infringe the claim; and,
- (b) the patentee has refused to make the admission.<sup>137</sup>

Where a declaration has been made, and the patentee later obtains an injunction restraining the person from doing the act, or the declaration is revoked, the holder of the non-infringement declaration is not liable to account to the patentee for any profits made, or pay damages for any loss suffered, as a result of doing the act as specified in the declaration before the date on which the injunction was granted or the declaration was revoked.<sup>138</sup> The same applies if an admission is made by the patentee.<sup>139</sup>

### 2.8.2 Actions for threats of infringement proceedings

Section 128 of the Patents Act 1990 (Cth) permits a person who is aggrieved by unjustified threats of patent infringement to apply to a court for an injunction against the continuance of those threats, declaratory relief and recovery of any damages sustained as a result of the threats. A person "aggrieved" includes any person adversely affected by the threats. This may be the direct recipient of the threat (e.g., a competitor of the patentee receiving a letter of demand) but may also include others that may be indirectly affected by such threat, including the person's customers or suppliers.

However, "threat" is not defined in the Act. Whether a communication or an act constitutes a threat is a question of fact considered objectively. A court will consider the relevant communication and the context in accordance with "the understanding of an ordinary recipient, standing in the position of the actual recipient, reading the letter or communication said to contain the threat, in the normal course of business."<sup>140</sup> However, the threat must pertain to an Australian patent and proceedings in Australia. Importantly, the "mere notification" of the existence of a patent does not constitute a threat for the purposes of Section 128.<sup>141</sup> The onus is on the party making the threat to prove that the threat was justified, by satisfying the court that the relevant acts infringed (or would infringe) a valid claim.<sup>142</sup> If this onus is not dislodged, the threats are considered unjustified.

Damages may be sought; however, it must be shown that such damage was caused "as a result of the threats." A court also has the discretion to award additional damages, taking into account various matters, including the flagrancy of the threats.<sup>143</sup> Finally, in practice, an action under Section 128 will often result in a cross-claim for infringement.<sup>144</sup> The recipient of the threat can then also elect to seek revocation of the patent.<sup>145</sup>

## 2.9 Appellate review

### 2.9.1 Appeal from an invalidity decision of a court

An appeal from an invalidity decision of a court must be filed within 28 days of the date of the judgment or order unless an extension is granted.<sup>146</sup> The appellate court is usually the Full Court

<sup>137</sup> Patents Act 1990 (Cth) s. 126(1).

<sup>138</sup> Patents Act 1990 (Cth) s. 127.

<sup>139</sup> Patents Act 1990 (Cth) s. 127.

<sup>140</sup> *Liberation Developments Pty Ltd v. Lomax Group Pty Ltd* [2019] FCA 1180, [150].

<sup>141</sup> Patents Act 1990 (Cth) s. 131.

<sup>142</sup> Patents Act 1990 (Cth) s. 129.

<sup>143</sup> Patents Act 1990 (Cth) s. 128(1A).

<sup>144</sup> Patents Act 1990 (Cth) s. 130(1).

<sup>145</sup> Patents Act 1990 (Cth) s. 130(2).

<sup>146</sup> Federal Court Rules 2011 (Cth) rr. 36.03, 36.05.

of the Federal Court of Australia. The appeal will be heard by three judges of the Federal Court, although, in some cases of particular significance (e.g., where a previous appellate authority is called into question), the appeal may be heard by five judges. Such an appeal is not a hearing *de novo* but is an appeal by way of rehearing.

The Full Court conducts a review of the trial judge's reasons and the evidence to determine whether the judge has made an error – legal, factual or discretionary.<sup>147</sup> The Full Court may affirm, reverse or vary the judgment appealed from and may give such judgment or make such orders as in all the circumstances it thinks fit. The Full Court may grant relief itself or may remit the proceeding for further hearing and determination.<sup>148</sup> The Full Court will consider the evidence that was before the trial judge and may draw inferences of fact from such evidence. In special and limited circumstances, the Full Court may, in its discretion, receive further evidence. The Full Court will similarly not usually allow a party to raise a ground or an issue that was not raised at first instance.

If an error of fact is found to have been made, the Full Court will substitute its own findings of fact. In fact-finding circumstances involving the credibility of witnesses, the Full Court will generally not interfere with a trial judge's finding of fact unless it is demonstrated to be wrong by "incontrovertible facts or uncontested testimony," "glaringly improbable" or "contrary to compelling inferences."<sup>149</sup> This recognizes the special advantages of a trial judge. Where matters of impression or evaluative judgment are concerned, the Full Court will accord proper weight to the views and advantages of the trial judge.

The filing of an appeal does not itself operate to stay the first-instance decision. Therefore, a stay of the whole or part of the orders is often sought pending the determination of the appeal. In deciding whether to grant a stay, the court will consider whether an arguable ground has been raised on the appeal and whether the balance of convenience favors the granting of a stay. A stay will be granted where there is a likelihood that a successful appeal will be rendered nugatory. For this reason, an order revoking a patent is usually stayed, as there is some uncertainty as to the ability of the court on appeal to reinstate a patent once revoked.<sup>150</sup>

## 2.9.2 Appeal from an infringement decision of a court

An infringement decision made by a court (whether in proceedings for infringement or for a non-infringement declaration) may be reviewed by way of an appeal to the Full Court of the Federal Court of Australia. An appeal to the Full Court will be by way of a rehearing. The principles of appellate review were discussed in the previous section.

## 2.10 Selected topics

### 2.10.1 Compulsory licenses

The Federal Court of Australia is empowered to make orders requiring the grant of a compulsory license to exploit a patented invention if certain conditions are met.<sup>151</sup> An application cannot be made until after the expiration of the prescribed period, which is currently three years from the date of grant.<sup>152</sup> There are three circumstances in which the court may grant a compulsory license:

- where there has been an inadequate working of the invention;<sup>153</sup>
  - where the patentee has engaged in restrictive trade practices in connection with the patent;<sup>154</sup>
- or

147 *Aldi Foods Pty. Ltd. v. Moroccanoil Israel Ltd.* [2018] 261 FCR 301 (Allsop and Perram, JJ).

148 Federal Court of Australia Act 1976 (Cth) s. 28.

149 *Robinson Helicopter Company Inc. v. McDermott* (2016) 331 ALR 550, [43].

150 *Alphapharm Pty. Ltd v. H Lundbeck A/S (No. 2)* (2009) 78 IPR 338.

151 See Patents Act 1990 (Cth) ch. 12.

152 Patents Regulations 1991 (Cth) reg. 12.1.

153 Patents Act 1990 (Cth) s. 133(2)(a).

154 Patents Act 1990 (Cth) s. 133(2)(b); Competition and Consumer Act 2010 (Cth) pt IV, or an application law as defined in s. 150A of that Act.

- where the manufacture and export of a patented pharmaceutical invention is needed to address a public health issue in an eligible importing country.<sup>155</sup>

In an application for a compulsory license based on an inadequate working of the invention, the applicant must prove the existence of all of the following conditions:

- (a) demand in Australia for the original invention is not being met on reasonable terms; and
- (b) authorisation to exploit the original invention is essential to meet that demand; and
- (c) the applicant has tried for a reasonable period, but without success, to obtain authority from the patentee to exploit the original invention on reasonable terms and conditions; and
- (d) the patentee has given no satisfactory reason for failing to exploit the patent to the extent necessary to meet the demand for the original invention in Australia; and
- (e) it is in the public interest<sup>156</sup> to provide the applicant with authorisation to exploit the original invention, having regard to the following:
  - (i) the benefits to the public from meeting the demand for the original invention;
  - (ii) the commercial costs and benefits to the patentee and the applicant from providing authorisation to exploit the original invention;
  - (iii) any other matters the court considers relevant, including matters relating to greater competition and any impact on innovation; and
- (f) if the applicant is the patentee of another invention (the dependent invention) and is seeking the authorisation for the purposes of exploiting the dependent invention:
  - (i) the dependent invention cannot be exploited by the applicant without exploiting the original invention; and
  - (ii) the dependent invention involves an important technical advance of considerable economic significance on the original invention.<sup>157</sup>

An applicant for a compulsory license based on restrictive trade practices must prove the alleged contraventions of the Competition and Consumer Act 2010 (Cth).

An applicant for a license to exploit a patented pharmaceutical invention must prove, *inter alia*, that:

- the application is made in good faith;
- the pharmaceutical product is to be imported by the eligible importing country or on its behalf;
- proposed use of the pharmaceutical product is to address a public health problem in the eligible importing country in circumstances of national emergency or other circumstances of extreme urgency or, in other circumstances, by the public noncommercial use of the pharmaceutical product; and
- exploiting the patented pharmaceutical invention is necessary to enable the import and proposed use of the pharmaceutical product.<sup>158</sup>

An eligible importing country is "a WTO [World Trade Organization] member that notifies the Council for TRIPS [Trade-Related Aspects of Intellectual Property Rights] of the member's intention to use the system set out in Article 31 of the TRIPS Agreement and the Annex to that Agreement as an importer" or "a country included in the list of least-developed countries maintained by the United Nations, as in force from time to time."<sup>159</sup>

If the parties cannot agree on the amount of remuneration for the compulsory license, then it is determined by the court.<sup>160</sup>

155 Patents Act 1990 (Cth) s. 136E.

156 The public interest test was introduced by the Intellectual Property Laws Amendment (Productivity Commission Response Part 2 and Other Measures) Act 2020 (Cth) and replaced the previous "reasonable requirements of the public" test.

157 Patents Act 1990 (Cth) s. 133(3).

158 Patents Act 1990 (Cth) s. 136E.

159 Patents Act 1990 (Cth) sch. 1; Patents Regulations 1991 (Cth) regs 1.3 (definition of "least developed country"), 1.4A.

160 Patents Act 1990 (Cth) ss. 133(5), 136J.

The compulsory license may be revoked by agreement or by application to the court.<sup>161</sup>

The Crown may also exploit a patented invention for Crown purposes in certain circumstances.<sup>162</sup>

Perhaps due to the stringency of the mandated conditions for the grant of a compulsory license, there have been no decisions on the grant of such a license under the Patents Act 1990 (Cth),<sup>163</sup> and few decisions under its predecessor, Section 108 of the Patents Act 1952 (Cth).<sup>164</sup>

161 Patents Act 1990 (Cth) ss. 133(6), 136H.

162 Patents Act 1990 (Cth) ch. 17.

163 *Amrad Operations Pty. Ltd v. Genelabs Technologies Inc.* [1999] FCA 633 considered a claim for a compulsory license pursuant to Section 133 of the Patents Act 1990 (Cth) but only in the context of an application for service outside the jurisdiction.

164 See *Fastening Supplies Pty. Ltd v. Olin Mathieson Chemical Corporation* (1969) 119 CLR 572; *Wissen Pty. Ltd v. Kenneth Mervyn Lown* (1987) 9 IPR 124.