

PATENT THREATS - A MUDDY AREA

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Australian Mud Company Pty Ltd v Coretell Pty Ltd [2017] FCAFC 44 is a recent Australian federal court decision which highlights that patent infringement litigation can be a double edged sword.

The Key Facts

1. Australian Mud Company Pty Ltd (**AMC**) owned an innovation patent.
2. AMC wrote to Coretell Pty Ltd (**Coretell**) alleging that Coretell’s ‘Camteq’ product infringed its patent. AMC threatened to commence proceedings.
3. Section 128 of the *Patents Act 1990* (Cth) (**Section 128**) states:
 - (1) Where a person, by means of circulars, advertisements or otherwise, threatens a person with infringement proceedings, or other similar proceedings, a person aggrieved may apply to a prescribed court, or to another court having jurisdiction to hear and determine the application, for:
 - (a) a declaration that the threats are unjustifiable; and
 - (b) an injunction against the continuance of the threats; and
 - (c) the recovery of any damages sustained by the applicant as a result of the threats.
4. AMC later commenced proceedings against Coretell claiming patent infringement.
5. The primary judge:
 - (a) held that Coretell had not infringed AMC’s patent;
 - (b) held that AMC’s threats to bring infringement proceedings against Coretell were unjustifiable within the meaning of Section 128; and
 - (c) ordered AMC to pay Coretell over \$1.5 million in damages pursuant to Section 128.

The Issues

6. AMC appealed the decision to award Coretell damages.
7. The key issue was whether Coretell suffered damages “as a result of [AMC’s] threats” as required under Section 128.

The Court of Appeal

8. The Court found that Coretell had not proved that it sustained any damages as a result of AMC's threats because:
- (a) the relevant damages must arise from the threat to commence proceedings, not from the actual proceedings themselves;
 - (b) based on the evidence, Coretell's Camteq product was not ready for commercial supply at the time of the threats;
 - (c) there was no evidence that if the threats had not been made, Camteq would have been available for commercial supply 6 months later; and
 - (d) the threats did not impede the development of Camteq.

Conclusion

Patent owners need to ensure that they have a justifiable position in making any threat to sue for patent infringement.

If you are on the receiving end of any unjustifiable threats by patent owners, you need to be able to prove any damages that you suffer as a result of those threats.

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