FEDERAL COURT OF AUSTRALIA

Chamberlain Group, Inc v Giant Alarm System Co, Ltd (No 2) [2019] FCA 1606

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| File number: |  |
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| Judge: | **YATES J** |
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| Date of judgment: | 27 September 2019 |
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| Catchwords: | **PRACTICE AND PROCEDURE** – application for default judgment pursuant to r 5.23 of the *Federal Court Rules 2011* (Cth) – whether appropriate to grant injunction – whether appropriate to grant costs – application granted  |
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| Legislation: | *Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters* done at the Hague on 15 November 1965, Art 5*Federal Court Rules 2011* (Cth), rr 5.22, 5.23(2)(c), 10.66, 10.68, 10.70, 16.32*Patents Act 1990* (Cth), s 122(1)  |
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| Cases cited: | *ACOHS Pty Ltd v Ucorp Pty Ltd* [2009] FCA 577*Australian Competition and Consumer Commission v Dataline.Net.Au Pty Ltd* [2006] FCA 1427; 236 ALR 665*Australian Competition and Consumer Commission v Dataline.Net.Au Pty Ltd* [2007] FCAFC 146; 161 FCR 513*Australian Competition and Consumer Commission v Yellow Page Marketing BV (No 2)* [2011] FCA 352; 195 FCR 1*Chamberlain Group, Inc v Giant Alarm System Co, Ltd* [2017] FCA 1472*CNIP Pty Ltd v Chan & Naylor Norwest Pty Ltd (No 2)* [2011] FCA 1170*Speedo Holdings B.V. v Evans (No 2)* [2011] FCA 1227*United Broadcasting International Pty Ltd v Turkplus Pty Ltd (No 2)* [2010] FCA 1413  |
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| Date of hearing: | 4 September 2019 |
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| Registry: | New South Wales |
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| Division: | General Division |
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| National Practice Area: | Intellectual Property |
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| Sub-area: | Patents and Associated Statutes |
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| Category: | Catchwords |
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| Number of paragraphs: | 22 |
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| Counsel for the Applicant: | Mr P Flynn and Mr A Hughes |
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| Solicitor for the Applicant: | Corrs Chambers Westgarth |
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| Counsel for the Respondents: | The Respondents did not appear |

ORDERS

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|  | NSD 804 of 2017 |
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| BETWEEN: | THE CHAMBERLAIN GROUP, INC (and another named in the Schedule)Applicant |
| AND: | GIANT ALARM SYSTEMS CO, LTD (and others named in the Schedule)Respondent |

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| JUDGE: | YATES J |
| DATE OF ORDER: | 27 SEPTEMBER 2019 |

PENAL NOTICE

**TO: GIANT ALARM SYSTEM CO, LTD**

**IF YOU (BEING THE PERSON BOUND BY THIS ORDER):**

1. **REFUSE OR NEGLECT TO DO ANY ACT WITHIN THE TIME SPECIFIED IN THIS ORDER FOR THE DOING OF THE ACT; OR**
2. **DISOBEY THE ORDER BY DOING AN ACT WHICH THE ORDER REQUIRES YOU NOT TO DO,**

**YOU WILL BE LIABLE TO IMPRISONMENT, SEQUESTRATION OF PROPERTY OR OTHER PUNISHMENT.**

**ANY OTHER PERSON WHO KNOWS OF THIS ORDER AND DOES ANYTHING WHICH HELPS OR PERMITS YOU TO BREACH THE TERMS OF THIS ORDER MAY BE SIMILARLY PUNISHED.**

THE COURT ORDERS THAT:

1. Pursuant to s 122(1) of the *Patents Act 1990* (Cth), the first respondent be restrained, during the term of each of the Patents, whether by itself, its directors, officers, servants, agents or otherwise, from engaging in the following acts within Australia without the licence or authority of the first applicant:
	1. entering into agreements with suppliers, retailers or any person in Australia for the purpose of supplying, selling, offering to sell, offering to supply or otherwise disposing of any Giant Infringing Remote in Australia;
	2. aiding, abetting, counselling, procuring, inducing, inciting or authorising any person to, import into, market, advertise, order, supply, sell, offering to sell, supply or otherwise dispose of or use any Giant Infringing Remote in Australia; and
	3. otherwise infringing any of the Patents.
2. The first respondent pay the first applicant’s costs of the proceeding as against the first respondent.
3. Leave be given to the applicants to otherwise discontinue the Originating Application with no order as to costs other than as set out in Order 2 above.

IN THESE ORDERS:

**Giant Infringing Remote** means any aftermarket remote, manufactured or supplied by the first respondent, capable of transmitting a fixed message to a Security +2.0 receiver such that the receiver can properly recover the message in accordance with the Security +2.0 Algorithm.

**Patents** means Australian Patent No. 2006200340, Australian Patent No. 2006202850 and Australian Patent No. 2007203558.

**Security +2.0 Algorithm** means the predetermined algorithm according to which a fixed message is encrypted, such that Security +2.0 receivers are configured to activate a movable barrier upon receipt of the said message.

Note: Entry of orders is dealt with in Rule 39.32 of the *Federal Court Rules 2011*.

REASONS FOR JUDGMENT

YATES J:

1. The applicants have sued the respondents for infringement of Patent No 2006200340 (the **340 patent**), Patent No 2006202850 (the **850 patent**), and Patent No 2007203558 (the **558 patent**) (together, **the patents**). They seek default judgment against the first respondent (Giant Alarm System Co, Ltd) in accordance with r 5.23(2)(c) of the *Federal Court Rules 2011* (Cth), which provides:

If a respondent is in default, an applicant may apply to the Court for:

…

(c) if the proceeding was started by an originating application supported by a statement of claim or an alternative accompanying document referred to in rule 8.05, or if the Court has ordered that the proceeding continue on pleadings—an order giving judgment against the respondent for the relief claimed in the statement of claim or alternative accompanying document to which the Court is satisfied that the applicant is entitled; …

1. Rule 5.22 specifies when a party is in default:

A party is in default if the party fails to:

(a) do an act required to be done, or to do an act in the time required, by these Rules; or

(b) comply with an order of the Court; or

(c) attend a hearing in the proceeding; or

(d) prosecute or defend the proceeding with due diligence.

1. The applicants rely on the following defaults by the first respondent:
	1. failure to file a defence within 28 days of service (namely by 26 February 2019) as required by r 16.32;
	2. failure to appear at the case management hearing on 31 May 2019;
	3. failure to file a notice of address for service as required by Order 1 made on 31 May 2019; and
	4. failure to appear at the hearing of the present application.
2. The present application is affected by the requirements of r 10.70, which provides:

(1) This rule applies if:

 (a) a certificate of service of initiating process has been filed in the proceeding (being a certificate in due form (within the meaning of rule 10.66(2)), stating that service has been duly effected; and

 (b) the respondent has not appeared or filed a notice of address for service.

(2) In circumstances to which this rule applies, default judgment may not be given against the respondent unless the Court is satisfied that:

 (a) the initiating process was served on the respondent:

 (i) by a method of service prescribed by the internal law of the Convention country for the service of documents in domestic proceedings on persons who are within its territory; or

 (ii) if the applicant requested a particular method of service (being a method under which the document was actually delivered to the respondent or to the respondent’s residence) and that method is compatible with the law in force in the country, by that method; or

 (iii) if the applicant did not request a particular method of service, in circumstances where the respondent accepted the document voluntarily; and

 (b) the initiating process was served in sufficient time to enable the respondent to enter an appearance in the proceeding.

(3) In paragraph (2)(b), ***sufficient time*** means:

 (a) 42 days from the date specified in the certificate of service in relation to the initiating process as the date service of the process was effected; or

 (b) such lesser time as the Court considers, in the circumstances, to be a sufficient time to enable the respondent to enter an appearance in the proceeding.

1. Rule 10.66 provides for when a certificate will be in due form. Relevantly, the rule states:

(1) … on receipt of a certificate of service in due form in relation to a local judicial document to which a request for service abroad relates, a Registrar:

 (a) must arrange for the original certificate to be filed in the proceeding to which the document relates; and

(b) must send a copy of the certificate to:

 (i) the lawyer on the record for the applicant in the proceeding; or

 (ii) if there is no lawyer on the record for the applicant in the proceeding—the applicant.

(2) For the purposes of subrule (1), a certificate of service is in due form if:

 (a) it is in accordance with Part 2 of Form 25; and

 (b) it has been completed by a certifying authority for the Convention country in which service was requested; and

 (c) if the applicant requires a certificate of service that is completed by an additional authority to be countersigned by the Central Authority, it has been so countersigned. …

# Evidence on the application

1. The following affidavits were read in support of the present application:
	1. Odette Margaret Gourley, sworn 29 May 2019;
	2. Odette Margaret Gourley, sworn 28 June 2019; and
	3. Odette Margaret Gourley, sworn 3 September 2019.
2. The applicants also tendered:
	1. Exhibit A – being a copy of a letter dated 28 May 2018 from the applicant’s solicitor, Ms Gourley, to the Registrar of the Court with attachments A and B thereto;
	2. Exhibit B – being a copy of an email chain dated 4 June 2018 between the Court and Ms Gourley.

# Background

1. On 8 December 2017, the Court granted leave to the applicants to serve the originating application and statement of claim on the first respondent in accordance with the *Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters* done at the Hague on 15 November 1965 (the **Hague Convention**).
2. On 4 May 2019, a certificate of attestation in relation to the service of these documents was filed.
3. On 31 May 2019, an order was made requiring the first respondent to file and serve a notice of address for service by 14 June 2019. An order was also made providing for the substituted service of any interlocutory application and supporting affidavit concerning default judgment. These orders were served on the first respondent on the same day.
4. On 28 June 2019, the applicants filed an interlocutory application (the present application) and Ms Gourley’s affidavit sworn that day. On 12 July 2019, the interlocutory application filed on 28 June 2019 and Ms Gourley’s affidavits sworn 29 May 2019 and 28 June 2019 were served on the first respondent in accordance with the order for substituted service made on 31 May 2019.
5. The first respondent has not filed a defence and has failed to comply with the order made on 31 May 2019 that it file and serve a notice of address for service. It has failed to appear at the case management hearing on 31 May 2019 and at the hearing of the present application.

# Relevant legal principles

1. The power to give judgment against a defaulting party is undoubtedly discretionary. The discretion must be exercised cautiously. Where the defaulting party is a respondent to a pleaded claim, the giving of judgment for final relief on the application will deliver complete success to the applicant without investigation of the merits of the pleaded claim: *ACOHS Pty Ltd v Ucorp Pty Ltd* [2009] FCA 577 at [27]. There is no requirement that the act or acts of default be intentional or amount to contumelious conduct. There is no requirement that the act or acts of default result in inordinate or inexcusable delay. That said, such features, if present, will be relevant to the exercise of the Court’s discretion. So too will conduct that persuades the Court that the defaulting party is manifesting an inability or unwillingness to cooperate with the Court and the other party or parties to the proceeding.
2. Rule 5.23(2)(c) requires the Court to be satisfied that the applicant is entitled to the relief claimed in the statement of claim. This requirement has been interpreted as meaning that the Court must be satisfied that “on the face of the statement of claim” the applicant is entitled to the relief that is claimed. It is not a requirement that the applicant prove its claim by way of evidence. Put another way, the facts alleged in the statement of claim are taken to have been admitted: *Australian Competition and Consumer Commission v Dataline.Net.Au Pty Ltd* [2007] FCAFC 146; 161 FCR 513 at [42]. If, on inspection of the statement of claim, the Court is satisfied that the applicant would be entitled to the relief sought then this requirement of r 5.23(2)(c) will be met: *CNIP Pty Ltd v Chan & Naylor Norwest Pty Ltd (No 2)* [2011] FCA 1170 at [18] – [19]; *Speedo Holdings B.V. v Evans (No 2)* [2011] FCA 1227 at [23]. The Court may permit further evidence to be adduced, but not evidence that would alter the pleaded case: *Australian Competition and Consumer Commission v Dataline.Net.Au Pty Ltd* [2006] FCA 1427; 236 ALR 665 at [45], [48] – [50]; *United Broadcasting International Pty Ltd v Turkplus Pty Ltd (No 2)* [2010] FCA 1413 at [42] – [44]; *Australian Competition and Consumer Commission v Yellow Page Marketing BV (No 2)* [2011] FCA 352; 195 FCR 1 at [62] – [63].

# Consideration

1. A certificate of service of the originating application and statement of claim has been filed in the proceeding. It states that service of these documents has been duly effected on the first respondent. The certificate is in accordance with Part 2 of Form 25 and, on its face, has been completed by a certifying authority for the People’s Republic of China. Therefore, the certificate is in due form for the purposes of r 10.66(2).
2. Given this fact, and given that the first respondent has not appeared or filed a notice of address for service, the requirements of r 10.70(2) apply. In this connection, I note that the certificate states that “the document” has been served in accordance with subparagraph (a) of the first paragraph of Article 5 of the Hague Convention: namely, by a method prescribed for the service of documents by the internal law of the People’s Republic of China for the service of documents in domestic actions upon persons who are within its territory. I am satisfied on the evidence that “the document” referred to in the certificate includes the originating application and statement of claim. Therefore, the requirement of r 10.70(2)(a) has been met. In the absence of evidence to the contrary, the certificate stands as sufficient proof that the originating application and the statement of claim were served on the first respondent on 29 January 2019: see r 10.68. On this finding, and having regard to r 10.70(3), I am also satisfied that the originating process was served in sufficient time to enable the first respondent to enter an appearance in the proceeding. Therefore, the requirement of r 10.70(2)(b) has been met.
3. I am satisfied that the first respondent has committed the defaults identified in [3] above and that the first respondent is in default within the meaning of r 5.22.
4. I am satisfied that the statement of claim pleads, as against the first respondent, the necessary elements to establish that:
	1. the first respondent has infringed the patents; and
	2. the first applicant is entitled to the injunctions it seeks as well as an award of costs.
5. I am satisfied that the first respondent is unwilling to cooperate in the conduct of this proceeding.
6. Apart from the defaults I have found, there was evidence before the Court when the orders for service out of the jurisdiction were made in respect of the first respondent that a prima facie case for at least the relief claimed in prayers 1 and 2(b) and (c) of the originating application in relation to the direct infringement by the first respondent of claim 28 of the 340 patent, claim 21 of the 558 patent and claims 12 and 48 of the 850 patent had been established. I was also satisfied that there was a prima facie case that the first respondent had authorised the third respondent and the fourth respondent (against whom orders have now been made) to exploit infringing products in Australia: *Chamberlain Group, Inc v Giant Alarm System Co, Ltd* [2017] FCA 1472 at [36].
7. For these reasons, I am satisfied that the first applicant is entitled to the relief it seeks. However, I am not satisfied that the second applicant is entitled to that relief. The allegations pleaded in the statement of claim are insufficient to establish that the second applicant has any entitlement to sue the first respondent for infringement of the patents.

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| I certify that the preceding twenty-one (21) numbered paragraphs are a true copy of the Reasons for Judgment herein of the Honourable Justice Yates. |

Associate:

Dated: 27 September 2019

SCHEDULE OF PARTIES

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|  | NSD 804 of 2017 |
| ApplicantsSecond Applicant:  | CHAMBERLAIN AUSTRALIA PTY LTD (ACN 118 013 362) |
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| **Respondents** Second Respondent: Third Respondent:Fourth Respondent: | AUTOGA CO. LTDCODEEZY PTY LTD (ACN 164 581 391)NATIONAL GARAGE REMOTES AND OPENERS PTY LTD (ACN 169 385 479) |