

COMMONWEALTH OF AUSTRALIA

Patents Act 1990
Patents Regulations 1991, Chapter 20

PATENTS AND TRADE MARKS ATTORNEYS DISCIPLINARY TRIBUNAL

IN THE MATTER OF: **HUGH R. HODGKINSON** a Patent
Attorney

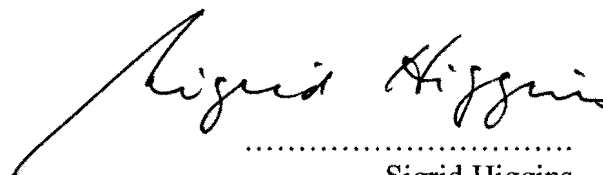
COMPLAINT BY: **M.H. McLEAN**

Tribunal: Mrs S. Higgins

Date: 10 January 2006

Place: Sydney

Decision: The Tribunal does not find the charge against Hugh R
Hodgkinson to have been proven.



.....
Sigrid Higgins
Patent and Trade Marks Disciplinary Tribunal

CATCHWORDS

DISCIPLINARY PROCEEDINGS – whether a registered patent attorney can be the subject of disciplinary proceedings in respect of conduct by his/her employee – gross overcharging – whether conduct of a registered patent attorney on becoming aware of an allegation that his employee charged in excess of that recommended in the Scale of charges of the Institute of Patent and Trade Marks Attorneys constituted unprofessional or unsatisfactory conduct

Patents Act 1990 (Cth) ss. 201, 202 & 202A

Patents Regulations 1991 (Cth) reg 20.1, 20.20, 20.21 & 20.23

Criminal Code Act 1995 (Cth)

Legal Profession Act 2004 (NSW) Chapter 3, Part 3.2 & Division 3

Myers v Elman [1940] AC 282

Re a Solicitor [1960] VR 617

Re Hodgekiss [1962] SR NSW 340

Re Miles ex parte Law Society of New South Wales (1966) 84 WN (NSW) Pt. 1, 163

John Peter Gahan v Professional Standards Board for Patent and Trade Marks Attorneys (1998) 27 AAR 51

New South Wales Bar Association v Evatt (1968) 117 CLR 177

Veghelyi v The Law Society of New South Wales (unreported NSW SC CA, 6 October 1995, BC 9505459)

Briginshaw v Briginshaw (1938) 60 CLR 336

Vernon; Ex parte Law Society of New South Wales (1996) 84 WN Pt1 (NSW) 136

d'Alessandro v Legal Practitioners Complaints Committee (1995) 15 WAR 198 at 214

Harrison v Trew [1989] 1 QB 307

Re Hodgkinson: complaint by McLean (unreported Patents and Trade Marks Disciplinary Tribunal, 14 November 2002, per John F Lyons QC)

Re Hodgkinson: complaint by McLean (unreported Patents and Trade Marks Disciplinary Tribunal, 20 May 2002, per E Hollingsworth SC)

Re R Kelly: complaint by Metall (unreported Patents and Trade Marks Disciplinary Tribunal, 28 February 1997, per John F Lyons QC)

REASON FOR DECISION

Introduction

1. These proceeding against Mr Hugh R. Hodgkinson, a patent attorney, arise from a complaint dated 13 April 2000 by Mr Maxwell Herbert McLean (“**Mr McLean**”) pursuant to Reg. 20.20 of the *Patents Regulations 1991* (“**the Regulations**”). On 1 December 2000, the Professional Standards Board for Patent and Trademarks Attorneys (“**the Board**”) considered Mr McLean’s

complaint and determined that Mr Hodgkinson “may be guilty of unprofessional or unsatisfactory conduct” in regard to one aspect of the complaint. That aspect of the complaint was described as follows:

“Complaint 5

Hodgkinson grossly overcharged for services, charged for services not performed, charged for disbursements not disbursed, charged for disbursements for work that was not required and failed to provide the documentary information upon request to substantiate those disbursements.

That:

- On the basis of the information provided, the level of charging by Hodgkinson & Co could be considered as being gross overcharging;
- There is no evidence that the client was provided with details of likely costs for all countries or all phases of the work;
- There is no evidence that the client was advised that the then IPAA Schedule was not being followed;
- There was no information provided, which showed that disbursements cited in the bills were not made;
- There was however no justification for the charging of disbursement fees which should not have been incurred and which may not have been incurred (drawings).

Therefore it appears that Hodgkinson may be guilty of unprofessional or unsatisfactory conduct.”

2. In a letter dated 15 January 2001 and pursuant to Reg. 20.21(2) of the Regulations, the Board authorised Mr McLean to bring proceedings charging Mr Hodgkinson with unprofessional or unsatisfactory conduct in respect of the abovementioned complaint. In a letter dated 23 January 2001 and pursuant to Reg. 20.21(4) Mr McLean requested the Board to bring the proceedings on his behalf.
3. For various reasons there has been considerable delay in the hearing of the charge. There have also been two unsuccessful applications by the Board to amend the particulars of the charge so as to include other aspects of Mr McLean’s complaint (see decision of Tribunal Member E Hollingsworth SC

dated 20 May 2004, and Tribunal Member John F Lyons QC dated 14 November 2002).

4. Accordingly, the Board proceeded on the basis of the abovementioned charge, which was particularised by the Board on 8 March 2002 (see Ex A) as follows:

- “1. From 1991 Mr Hodgkinson’s firm, now called Hodgkinson Old McInnes, Patent and Trademarks Attorneys (“Hodgkinsons”), acted as patent attorneys for Mr R. Beaton and Double Cone Developments Pty Ltd (“Double Cone”) in connection with intellectual property associated with a deployment machine used for baiting fish in long line fishing (“Invention”).
2. Mr McLean’s company, Webmac Nominees Pty Limited (“Webmac”) assumed responsibility under an agreement with Double Cone for the intellectual property in relation to the Invention from about April 1992 and from that date, Webmac instructed Hodgkinsons with respect to the intellectual property.
3. Hodgkinsons acted as patent attorney for Double Cone and Webmac from on or about September 1991 to October 1998.
4. From about October 1993 to March 1995 an employee of Hodgkinsons Mr David A. Sutton, who was not a qualified patent attorney in Australia, performed the work on Webmac’s intellectual property for Hodgkinsons. From March 1995 to September 1998 Mr John Walsh, a qualified patent attorney employed by Hodgkinsons, performed the work on Webmac’s intellectual property for Hodgkinsons.
5. During the period when Mr Sutton was the employee of Hodgkinsons responsible for carrying out the work on Webmac’s intellectual property, Hodgkinsons rendered the accounts referred to in paragraph 6 below to Mr McLean containing charges for services that constitute gross overcharging in view of the services provided.
6. In relation to the following accounts Hodgkinsons have failed to produce calculations to justify the service fees charged and are unable to provide a satisfactory explanation of the calculation of the fees charged:
 - A. Australian National Phase Patent Application ...: Invoice No 14632 of 26 October 1993 ...
 - B. Canadian National Phase Patent Application ...: Invoice No 14759 of 29 October 1993 ...
 - C. Japanese National Phase Patent Application ...: Invoice No 14761 of 29 October 1993 ...
 - D. Norwegian Patent Application ...: Invoice No 14856 of 29 October 1993 ...

- E. South Korean National Phase Patent Application ...: Invoice No 14867 of 26 November 1993 ...
 - F. United States National Phase Patent Application ...: Invoice No 14968 of 21 December 1993 ...
 - G. European National Phase Patent Application ...: Invoice No 14902 of 21 December 1993 ...
 - H ...
7. In the invoices set out below, drawings were not required or expenses for drawings should not have been incurred or were not incurred as follows:
- A. Australian National Phase Patent Application ...: Invoice No 14632 of 26 October 1993 ...
Drawings \$60.00
 - B. Canadian National Phase Patent Application ...: Invoice No 14759 of 29 October 1993 ...
Drawings \$50.00
 - C. Japanese National Phase Patent Application ...: Invoice No 14761 of 29 October 1993 ...
Drawings \$50.00
 - D. Norwegian National Phase Patent Application ...: Invoice No 14761 (sic) of 29 October 1993 ...
Drawings \$50.00
 - E. South Korean National Phase Patent Application ...: Invoice No 14867 of 26 November 1993 ...
Drawings \$50.00
 - F. United States National Phase Patent Application ...: Invoice No 14968 of 21 December 1993 ...
Drawings \$50.00
 - G. European National Phase Patent Application ...: Invoice No 14902 of 21 December 1993 ...
Drawings \$50.00"
8. After Hodgkinsons ceased to act for Mr McLean in September 1998, Mr McLean raised the issue of the gross overcharging in written correspondence with Mr Hodgkinson (pp 103-104 of the Documents).
9. In November 1998 (pp 76-77 of the Documents) Mr Hodgkinson asserted that Hodgkinsons charged for its services in accordance with the recommended Scale published by the Institute of Patent and Trade Marks Attorneys ("Scale").
10. The fees charged in the accounts referred to in Paragraph 6 of this Statement of Particulars are not calculated according to the Scale that applied at the relevant times in 1992 and 1993.

11. Mr Hodgkinson in these circumstances failed, as he ought to have done, to take any or any reasonable steps to correct the gross overcharging in the accounts referred to in Paragraph 6 of this Statement of Particulars.
12. Mr McLean and Webmac suffered loss from the gross overcharging by Hodgkinsons in relation to the accounts referred to in Paragraph 6 of this Statement of Particulars.”

Issues

5. There are three primary issues in these proceedings and they are:
 - (a) whether Mr Hodgkinson, can be the subject of disciplinary proceedings, pursuant to Chapter 20 Part 4 of the Regulations, as a result of alleged improper conduct by his employee;
 - (b) whether the alleged improper conduct of “gross overcharging” by Mr Hodgkinson’s employee has been proven – i.e. the invoices the subject of the charge are in fact a “gross overcharging” and included a charge for drawings that were not necessary; and
 - (c) whether Mr Hodgkinson has engaged in conduct, as particularised, which constitutes “unsatisfactory conduct” or “unprofessional conduct” as defined in Reg 20.1 of the Regulations.

Evidence

6. In general the underlying facts were not disputed. These are set out in detail in the following paragraphs.
7. The starting point is 1991, when Mr Roger Beaton (“**Mr Beaton**”), on behalf of Double Cone Developments Pty Ltd (“**Double Cone**”), engaged the services of H R Hodgkinson & Co (“**the firm**” or “**Mr Hodgkinson’s firm**”) to act on behalf of Double Cone for the preparation and filing of worldwide patent applications in respect of a fishing device invented by Mr Beaton (“**the fishing device invention**”). At the time, and at all material times thereafter, Mr Hodgkinson was the sole principal of his firm and he conducted the firm’s business with the assistance of several employed

qualified patent attorneys or solicitors. Mr Hodgkinson also employed Mr David Sutton (“**Mr Sutton**”), who had been a registered patent attorney in New Zealand prior to his employment with Mr Hodgkinson’s firm. It would appear that Mr Sutton had been deregistered in New Zealand following allegations and subsequent convictions of fraud. However, other than the fact of being formerly registered and being employed by Mr Hodgkinson’s firm, the circumstances surrounding Mr Sutton’s deregistration and the nature of his employment with Mr Hodgkinson’s firm were not particularised by the Board as being relevant to the charge. Accordingly, they are of no relevance to these proceedings.

8. Subsequent to Double Cone engaging Mr Hodgkinson’s firm, the complainant’s company, Webmac, also assumed an interest in the fishing device invention. As a result of this interest, the complainant, Mr McLean became responsible for providing instructions to Mr Hodgkinson’s firm for the filing of the relevant patent applications.

9. On 15 April 1992, Mr Hodgkinson’s firm lodged, on behalf of Double Cone and Webmac, an International Patent Application pursuant to the Patent Cooperation Treaty (application No PCT/AU92/00176) (“**the PCT application**”). The lodgement of this application provided provisional protection for Double Cone and Webmac’s fishing device invention. This provisional protection is subject to the owner(s) of the invention then lodging patent applications for the same invention in those countries that are a signatory to the Patent Cooperation Treaty (“**the PCT**”). The lodgement of these subsequent patent applications is commonly referred to as the “national phase patent applications”, which must be filed within a specified period of time after the lodgement of the initial PCT application. If not filed within that time the provisional protection of the invention lapses. In this case, Double Cone and Webmac had elected to request Preliminary Examination, which meant that the deadline for lodging national phase patent applications was extended to 19 October 1993 for all countries other than Europe, where the deadline was extended to 19 November 1993.

10. Having filed the PCT application, the firm forwarded an invoice to Double Cone and Webmac for the work that had been done on their behalf in this regard: **see Invoice 12304**, dated 15 April 1992 in file No 1310F. A further invoice was sent on 10 November 1992 in respect of the work done in regard to the request for a preliminary examination: **see Invoice 13101** in file No 1310F.
11. From 1991 to some time prior to December 1992, Mr Garry A Wilson (“**Mr Wilson**”), an employed registered patent attorney of Mr Hodgkinson’s firm, was responsible for dealing with the Double Cone and Webmac applications. From the correspondence that has been tendered into evidence (**see Ex 5**) it would appear that Mr Wilson only dealt with Mr Beaton.
12. Then some time prior to February 1993, Mr Sutton became responsible for these applications and he appears to have only dealt with Mr McLean.
13. After April 1992 and up to 31 March 1993, Mr Beaton and Mr McLean were advised on several occasions that the final due date for their national phase patent applications was 19 October 1993. On 23 August 1993, Mr Sutton again wrote to Mr McLean and Mr Beaton advising them of the 19 October 1993 final due date and stating:

“We look forward to receiving instructions from you and Mr Beaton just as soon as possible, bearing in mind that action will have to be taken well in advance of the due date of 19 October 1993” (**see Ex. 5**).
14. In a letter dated 10 September 1993, from Mr Sutton to Mr McLean, Mr Sutton said:

“We urgently await your instructions concerning the filing of the national and regional phase applications. ... While the final due date is 19 OCTOBER 1993, we do require time in which to obtain signed documentation and in which to translate and file the application in the various countries concerned. We are therefore urgently awaiting your instructions. ...” (**see Ex. 5**).
15. On 13 September 1993, Mr McLean instructed, by facsimile, Mr Sutton to proceed with national phase patent applications in “Japan, Republic of Korea, USA, Canada, Australia, European Patent (EP) and Norway”: **see Ex**

5. It would appear that after receiving this facsimile, on the following days, Mr Sutton had several conversations and a meeting with Mr McLean.

16. On 22 September 1993, Mr Sutton wrote a two & half page letter to the firm's South Korean and Norwegian associates requiring them to immediately prepare and file the national phase patent applications in their respective jurisdiction (see Ex. 5 behind the "NOR" & "SOK" tabs). The letters are essentially the same in that they provide details of the applicants, the name of the inventor, the fact that the inventor had assigned his rights in the invention to the applicant company, the title of the invention, details of the number and date of the PCT application and the priority of the application. The letter also advise that enclosed with the letter were the following:

- “1. A copy of the published pamphlet of International Patent Application No. PCT/AU92/00176.
2. A copy of the international search report issued in connection with International Patent Application No. PCT/AU92/00176.
3. A copy of the International Preliminary Examination Report issued under Article 36, In connection with International Patent Application.
4. Power of Attorney document in your favour from Double Cone Developments Pty Limited No. PCT/AU92/00176.
5. Power of Attorney document in your favour from Webmac Nominees Pty Limited.
6. Formal drawings in duplicate.
7. Certified copy of basic Australian Patent Application No. PK 5729. Please note that if this document is not enclosed with the original of the instructions, it will follow shortly.”

Of the documents that were enclosed, only the power of attorney appears to have been prepared by Mr Sutton and these appear to be in a standard form.

17. In the letter to the Norwegian associate, Mr Sutton made reference to an additional document being enclosed. That document being “an executed Assignment document from the inventor to the applicant companies”.

18. On 27 September 1993, Mr Sutton wrote to the firm's associates in Japan, USA, Canada and the European Union also requesting that they immediately prepare and file the national phase patent application in their respective countries: **see Ex 5** behind the "JAP 1", "USA", "CAN" and "EU" tabs. These letters were very similar in form to those that had been sent to South Korea and Norway. They also made reference to enclosing all or some of the abovementioned documents. However, the letter to the United States' associate contained additional information and enclosed additional documents, namely a duly executed and completed pro forma inventor oath/declaration, and a "small entity" declaration: **see File No 1310L**.
19. On 29 September 1993, Mr Sutton filed the Australian national phase patent application: **see Ex 5** behind "AUST" tab. In his letter to the Patent's Office, Mr Sutton stated that the specifications contained 15 typed sheets and 3 sheets of drawings.
20. The Tribunal understands that each of the national phase patent applications was filed within time (i.e. prior to 19 October 1993 for each of the national phase patent applications, with the exception of Europe which had a due date of 19 November 1993).
21. On 26 October 1993, having received a filing receipt from the Australian Commissioner of Patents of the lodgement of the national phase patent application in Australia, Mr Sutton wrote a two page letter to Mr McLean advising him that the Australian national phase patent application had been filed and also advising him of certain matters relating to that filing. On the same day, an invoice was raised by Mr Sutton in respect of the cost of preparing and filing the Australian national phase patent application on behalf of Double Cone and Webmac: **see Ex C & 1**, Invoice No. 14632. The total amount invoiced was \$2,276 of which \$1,910 represented the charge for the services provided by Mr Sutton. The remainder related to specified disbursements.

22. On 29 October 1993, following advice from the firms associates in Canada and Japan, Mr Sutton wrote to Mr McLean advising him that the Canadian and Japanese national phase applications had been filed. These letters were in similar terms to the letter that he had written on 26 October in respect of the Australian national phase patent application. On the same day invoices were also raised in respect of the cost for preparing and filing these national phase applications: see **Ex C & 1**, Invoice Nos. 14759 and 14761. The total amount invoiced for the Canadian national phase application was \$3,903.53, which included an amount of \$2,250 for Mr Sutton's services. The remainder was in respect of disbursements, which included an amount of \$1,442.53 for the fees of the firm's Canadian associate and Canadian filing fees. And the total amount invoiced for the Japanese national phase application was \$8,403.26, which included an amount of \$2,400 for Mr Sutton's services. Again the remainder was in respect of disbursements, which included \$5,778.26 for the fees of the firm's Japanese associate, translation fees and Japanese filing fees.
23. Similar letters were written by Mr Sutton to Mr McLean on 18, 19 and 26 November and 21 December 1993 in respect of the national phase patent applications in the European Union, Norway, South Korean and United States of America respectively. These letters were also written after Mr Sutton had received advice from the relevant overseas associate of the firm. Again, on the same day that each letter was written an invoice was also raised in respect of the cost of preparing and filing the relevant national phase patent application: see **Ex C & 1**, Invoice Nos 14902, 14856, 14867, and 14968. These invoices were in a similar form to those that had been issued in October 1993 in that they included an amount for the services provided by Mr Sutton and specified particularised disbursements that included the cost of fees charged by the firm's overseas associate and application fees in the relevant country where the application was lodged. The charges in so far as they relate to the services provided by Mr Sutton are set out below in para. 83. Otherwise it is unnecessary to repeat various disbursements as these, other than the charge of \$50.00 for drawings, are not in dispute.

24. In respect of the charge for Mr Sutton's services, each invoice gave a brief description of what the services entailed in the main column of the invoice and then at the conclusion of the description, in the next column, was a single figure amount for those services. It is unnecessary to repeat the contents of each of the invoices as they appear to be in very similar terms. It is sufficient to set out the contents of the invoices for Canada (No 14759) and Norway (No 14856), which provided as follows:

(a) Canada invoice

"To: Services in connection with this matter, including receiving your instructions, preparing and filing national phase patent application in Canada out of and corresponding to international patent application No PCT/AU92/00176, including preparing all documents and drawings, preparing and filing application in Canada, attending to payment of Government and associates' fees on your behalf in Canada, receiving all application details, in due course receiving application number and communicating this to you, BUT excluding any services in connection with examination, prosecution, assignment or grant (if any), reporting and advising to you herein: \$2,250.00"

(b) Norway invoice

"To: Services in this matter, including receiving instructions and preparing and filing application for Letters Patent in Norway corresponding to international patent application No PCT/AU92/00176, including preparing and filing all documents and arranging for translation of documentation into Norwegian and filing same at the Norwegian Patent Office, including payment of Government and associates' fees on your behalf on filing application, receiving application details and entering same in records of surveillance system, reporting herein to you, BUT excluding any services for examination, prosecution, opposition or grant (if any): \$2,250.00"

25. Mr McLean paid each of the abovementioned invoices. In his statutory declaration dated 13 April 2000, Mr McLean acknowledged that the invoices were paid and he gave the following basis on which they were paid:

"5. I assumed that Hodgkinsons would act in good faith and in the best interest of Webmac Nominees and whilst during my early contact

with that firm I considered their charges to be extremely high. I assumed at that time that Hodgkinsons' charges were in accordance with industry standards and I did not conduct any checks to determine if this was the case."

(See **Ex E** at para. 5 of "Brief History and Nature of Complaint")

26. In March 1995, Mr Hodgkinson dismissed Mr Sutton. As a result of Mr Sutton's dismissal, Mr John Richard Walsh ("**Mr Walsh**"), a registered patent attorney and an employee of Mr Hodgkinson's firm since February 1994, took over the files for which Mr Sutton had been responsible. These files included those of Double Cone and Webmac. Mr Walsh in his Statutory Declaration of 5 July 2001 said that on reviewing the files that he had been assigned he observed that:

"In many cases clients had been charged an amount for service fees which did not, according to my experience in my profession, bear any connection with a level of service charge which a practitioner would be likely to render for entry into the national phase. The service charge caught my attention as it was substantially in excess of the specified fee for entry into the national phase as set out in the Institute of Patent Attorneys Scale of Charges ..."
(see **Ex. B** at para. 5)

27. Mr Walsh left Mr Hodgkinson's firm in September 1998 to form his own firm. On being advised of Mr Walsh's departure, in October 1998, Mr McLean requested Mr Hodgkinson's firm to cease doing any further work on the Double Cone and Webmac's files and to transfer them to Mr Walsh's new firm. After issuing the invoices that are the subject of these proceedings, Mr Sutton and Mr Walsh did additional work for Double Cone and Webmac in respect of the national phase patent applications. This additional work appears to have been more involved and I note that separate invoices were raised in respect thereto. After receiving Mr McLean's request to transfer the files, Mr Hodgkinson's firm rendered further invoices to Double Cone and Webmac for services that had been provided but not billed for. This included amounts for which Mr Walsh had undercharged Double Cone and Webmac for services that had been provided. It would appear that it was at this point that the dispute arose between Mr McLean and Mr Hodgkinson. On 14 October 1998, Mr McLean wrote to Mr Hodgkinson vehemently objecting to the amounts charged in the new

invoices following the request for transfer. He also objected to the amounts charged in the earlier invoices that had been paid, including the invoices the subject of these proceedings. This was also the first occasion on which Mr Hodgkinson became aware of Mr McLean's concerns in respect of the earlier charges.

28. Not being able to resolve their differences, on about 20 October 1998, Mr McLean approached the Ethics Committee of the Institute of Patent Attorneys ("**the Ethics Committee**") for assistance in resolving his concerns about the alleged gross overcharging by Mr Hodgkinson's firm and Mr Hodgkinson's refusal to transfer the Double Cone and Webmac files until such time as the most recently rendered invoices had been paid. It would appear that Mr McLean's contention was that the amount that Double Cone and Webmac were alleged to have been overcharged by Mr Hodgkinson's firm in the earlier invoices far exceeded the amount contained in the most recently rendered invoices from Mr Hodgkinson's firm. Mr McLean also sought to recover the difference.
29. Attached to the Statutory Declaration of Mr McLean, dated 13 April 2000, (see **Ex. E**) are copies of correspondence between Mr Hodgkinson and Mr McLean during the period 24 November 1998 and 13 December 1999, which is the period during which Mr McLean sought to resolve his complaint through the Ethics Committee. What is apparent from this correspondence is that Mr McLean sought justification for each and every item that had been charged by Mr Hodgkinson's firm in respect of services that the firm had provided to Double Cone and Webmac.
30. In a letter dated 24 November 1998, Mr Hodgkinson, in responding to a letter from Mr McLean dated 4 November 1998, said the following:

"Our firm (as does other firms of patent attorneys whose billing procedures I have knowledge of), charges its services provided in accordance with the recommended Scale published by the Institute of Patent and Trademark Attorneys. Relevant extracts from that Scale have I believe been forwarded to you. In general terms, for each of the "authors" within our firm, a charge out rate is set and that author is expected to apply that rate. In Mr Walsh's case, this charge out rate was \$330.00 per hour. For the purpose of

charging, once again it is common in our profession (and extremely widespread amongst firms in the legal profession), to charge according to “units” of time. ...”. (see Ex. E - Annexure D)

31. In another letter dated 22 December 1998, addressed to Mr McLean, Mr Hodgkinson set out his explanation of how the charges for services in various invoices may have been derived at by Mr Sutton. (see Ex. E - Annexure J)
32. In a letter to Mr McLean, dated 9 March 1999, Mr Hodgkinson acknowledged that the amounts charged “appear to be higher than normal” and that “the reason for that cannot now be determined by me however as you were personally involved at that time, you may well be able to provide an explanation ...”. (see Ex. E - Annexure K)
33. After being unsuccessful in resolving his complaint through the Ethics Committee, in April 2000, Mr McLean lodged his complaint with the Board.

Liability of Mr Hodgkinson in respect of the acts and omissions of Mr Sutton

34. Mr Hess, who appeared on behalf of Mr Hodgkinson, contended that as a matter of statutory interpretation, the regulatory definitions of “unprofessional” or “unsatisfactory” conduct in reg. 20.1 of the Regulations each required the personal involvement of the attorney in the alleged improper conduct. That is, the charge was entirely personal to the patent attorney the subject of the charge and the Regulations did not permit the patent attorney to be held vicariously liable for the acts or faults of another person. Accordingly, it was submitted that, in disciplinary proceedings under Chapter 20, Part 4 of the Regulations, where there was no evidence of the patent attorney being personally involved in the alleged improper conduct of his/her employee the patent attorney can not be disciplined for that employees conduct.
35. Mr Hess further contended that such an interpretation was entirely consistent with the common law principles in respect to the practice of a solicitor and that these common law principles equally applied to these proceedings. In

this regard, Mr Hess relied on the decisions in *Myers v Elman* [1940] AC 282, *Re a Solicitor* [1960] VR 617, *Re Hodgekiss* [1962] SR NSW 340 and *Re Miles ex parte Law Society of New South Wales* (1966) 84 WN (NSW) Pt. 1, 163

36. In *Myers v Elman* the House of Lords (Viscount Maughan, Lord Aitkin, Lord Russell of Killowen, Lord Wright and Lord Porter) considered whether the court could order a solicitor to pay the cost of proceedings (i.e. the costs incurred by the solicitor on behalf of the client in initiating and prosecuting the client's claim, as well as the costs of the opposing party to those proceedings) on the basis of misconduct by the solicitor's managing clerk. The misconduct, which the court had found would justify an order for costs, was the preparation and filing of an affidavit, on behalf of the solicitor's client, that the managing clerk knew to have been inadequate and false. The Court of Appeal had held that the jurisdiction of the court to order a solicitor to pay the costs of proceedings was a punitive power, which rested on the personal misconduct of the solicitor and was similar to the power of striking a solicitor off the rolls or suspending him from practice. On the basis of this finding the Court of Appeal found that, in that particular case, a cost order could not be made against the solicitor because the solicitor had not personally engaged in the misconduct. At page 288-289 Viscount Maughan disagreed with this conclusion and said the following:

“... the jurisdiction to strike off the rolls or to suspend a solicitor seems to me to be of a very different character. Apart from the statutory grounds, it is of course true that a solicitor may be struck off the rolls or suspended on the ground of professional misconduct, words which have been properly defined as conduct which would reasonably be regarded as disgraceful or dishonourable by solicitors of good repute and competency: ... mere negligence, even of a serious character will not suffice. The application is strictly personal and relates to the solicitor himself and his fitness to practice. In my opinion the jurisdiction as to costs is quite different. Misconduct or default or negligence in the course of the proceedings is in some cases sufficient to justify an order. The primary object of the Court is not to punish the solicitor, but to protect the client who has suffered and to indemnify the party who has been injured. ...”

37. Lord Aitken made a similar finding: see page 303.

38. The decision of *Myers v Ellman* was cited with approval by the Victorian Supreme Court in *Re a Solicitor*, and the New South Wales Court of Appeal in *Re Hodgekiss* and *Re Miles*. However, as the decisions in these cases make clear, where disciplinary proceedings are commenced pursuant to a statute it then becomes a question of construing the provisions of the relevant statute to ascertain whether the statute has or has not displaced the common law principles as set out in *Myers v Ellman*. In *Re a Solicitor* and *Re Miles* it was held that the relevant provisions of the Legal Profession legislation of Victoria and New South Wales had displaced the common law.
39. Ms Nicholas, who appeared on behalf of the Board, contended that as a matter of construction, Parliament's intention was to make registered patent attorneys responsible for the misconduct of his/her employee in so far as that conduct related to the provision of patent attorney services. Her contention was based on the express words of sub-sections 201(1) and (4), 202(b) and 202A of the *Patents Act* 1990 (Cth). These sub-sections, which provide that only a registered patent attorney, or legal practitioner, are authorised to perform the work of a patent attorney. The sub-sections also provide that a non-registered person can undertake such work if supervised or instructed by a registered patent attorney. Ms Nicholas went on to argue that implicit from these sections was a legislative intent that registered patent attorneys be responsible for the work which they instructed, directed or supervised another to do. And the consequence of this she argued was that a registered patent attorney employer could be the subject of disciplinary proceedings in respect of the misconduct of that other person. The Tribunal understood Ms Nicholas to also contend that this liability arose regardless of whether the registered patent attorney employer knew of or was involved in the improper conduct of his/her employee.
40. In my opinion, the sub-sections relied on by Ms Nichols do not assist in construing the express words of the provisions in Chapter 20, Part 4 of the Regulations. Sub-sections 201, 202 and 202A of the *Patents Act* 1990 (Cth) are criminal offences, which are expressly governed by the provisions in the *Criminal Code* as set out in the schedule to the *Criminal Code Act* 1995

(Cth), in particular Chapter 2: see s.12A of the *Patents Act* 1990 (Cth).

Accordingly, liability under these provisions are determined in accordance with the *Criminal Code* (Cth), which contains specific provisions in respect of those who incite or are knowingly concerned in the contravening criminal conduct of another: see clause 11.2 to 11.5.

41. In my opinion, the proper approach to determining whether a registered patent attorney can be the subject of disciplinary proceedings as a result of improper conduct by his/her employee is to have regard to the express words of the relevant provisions in Chapter 20, Part 4 of the Regulations that deal with disciplinary action. Reg. 20.21(1) of Part 4 provides that disciplinary proceedings can only be brought if authorised under that regulation. Under reg. 20.21(2) the Board is given the power to authorise the bringing of such proceedings. However, proceedings can only be brought where the following has been satisfied:
- (a) the Board has received a complaint under regulation 20.20; and
 - (b) the Board has considered that complaint and any reply from the registered patent attorney complained about and any further information and found that the attorney may be guilty of “unsatisfactory conduct” or “unprofessional conduct”; and
 - (c) the Board has given the complainant written authorisation to bring the proceedings charging the attorney with “unsatisfactory conduct” or “unprofessional conduct” (note charges may also be brought in respect of an attorney being unqualified at the time of his/her registration or having obtained his/her registration by fraud. However, these are of no relevance to these proceedings and therefore not considered any further).
42. Reg.20.21 (3) & (4) of the Regulations make provision for the Board to bring the proceedings it has authorised. This can arise in two circumstances. The first being where the complainant requests the Board to bring the

proceedings and the second being where the complainant fails to institute proceedings within a specified period of time.

43. Reg. 20.22 of the Regulations provides that proceedings arising from a complaint against a registered patent attorney are to be brought before the Tribunal and reg. 20.23(2) sets out what disciplinary orders the Tribunal can make where it finds a registered patent attorney guilty of “unsatisfactory conduct” and/or “unprofessional conduct”, following a hearing of a charge for such conduct.
44. Accordingly, it is the terms “unprofessional conduct” and “unsatisfactory conduct” which form the basis on which disciplinary proceedings are instituted and determined. These terms are defined in reg. 20.1 of the Regulations as follows:

“***Unprofessional conduct***’ means conduct on the part of a registered patent attorney whereby he or she can be regarded as committing a gross failure to comply with the standards that, in the circumstances, it is reasonable to require the registered patent attorney to observe.

‘***Unsatisfactory conduct***’ means not having attained or sustained a professional standard that is consistent with the standard of practice of registered patent attorneys.”

45. As can be seen from these definitions, the term “unprofessional conduct” is expressly defined to mean “conduct on the part of a registered patent attorney”. There could be no clearer expression that “unprofessional conduct” is based on conduct of the registered patent attorney. That is, “unprofessional conduct” requires proof of acts and or omission by the registered patent attorney in the alleged improper conduct and it must be shown that these acts and or omissions “are a gross failure to comply with the standards that, in the circumstances, it is reasonable to require the patent attorney to observe”: see *John Peter Gahan v Professional Standards Board for Patent and Trade Marks Attorneys* (1998) 27 AAR 51at [65]. The alleged improper conduct could be conduct that constitutes an offence under the sub-sections referred to by Ms Nicholas, and it will then be a question as

to whether the circumstances in which the conduct occurred was such that it constituted “unprofessional conduct”.

46. While the definition of the term “unsatisfactory conduct” is not prefaced by the words “conduct on the part of a registered patent attorney”, in my opinion, they should be implied. The term is clearly defined solely for the purpose of disciplinary action against a registered patent attorney and the essence of the definition is “conduct” that does not “attain or sustain a professional standard” of such attorneys. “Conduct” in this context can only mean “conduct” by a registered patent attorney the subject of the proceedings. That is, to use the words of Viscount Maugham in *Myers v Ellman* (supra), “unsatisfactory conduct” in this context is also “strictly personal and relates” to the attorney and his/her fitness to practice.
47. While I agree with Mr Hess that on the proper construction of the disciplinary proceedings provisions in Chapter 20 Part 4 of the Regulations are personal in nature and require the personal involvement of the registered patent attorney in the alleged improper conduct, it does not mean that in disciplinary proceedings the attorney will is not accountable for the improper acts and omissions by his/her employee in the course of the attorney’s registered activities. As pointed out by Mr Hess the critical factor is the registered patent attorney’s “involvement” in the alleged improper conduct of the employee. It is clear that where a registered patent attorney has knowledge of and authorises the employee to engage in the improper conduct, then the attorney’s conduct in authorising the employee to so act is conduct which may amount to “unprofessional conduct” or “unsatisfactory conduct”: see *Legal Services Commissioner v Nikolaidis (No 3)* [2005] NSWADT 200 and *New South Wales Bar Association v Evatt* (1968) 117 CLR 177 at 178. Arguably the same principle would apply where the registered patent attorney had knowledge of the improper conduct being engaged in by his/her employee and he/she choses to do nothing about it.
48. In these proceedings there is no evidence that Mr Hodgkinson had any “involvement” in the invoices that were rendered by Mr Sutton to Double

Cone or Webmac for the services that had been provided. That is, there is no evidence as to whether Mr Hodgkinson was responsible for supervising or directing Mr Sutton in respect of the work he did for Double Cone and Webmac: **see T. at 256**. While, at the commencement of his employment, Mr Hodgkinson instructed Mr Sutton on what the practices of his firm were and that services provided by the firm to its clients were charged in accordance with the Scale of charges as published by the Institute of Patent Attorneys of Australia, he did not instruct Mr Sutton in respect of what to charge for services rendered and to include a cost for the preparation of drawings in the subject national phase application invoices. Accordingly, in regard to the rendering of the invoices that are the subject of these proceedings, there is no evidence of Mr Hodgkinson personally having engaged in conduct relating to the preparation and issue of the invoices, which could be the subject of disciplinary proceedings. Nor has the Board particularised the charge in this was. However, on a careful reading of the particulars relied on by the Board, while Mr Sutton's conduct forms the basis of an allegation of gross overcharging, the conduct of Mr Hodgkinson that is particularised as being the basis of the charge is that contained in para. 11: see para. 4 above. In that para. it is alleged that Mr Hodgkinson failed "as he ought to have done, to take any or any reasonable steps to correct the gross overcharging" in the invoices rendered by Mr Sutton. That is, it is Mr Hodgkinson's conduct after he became aware of the allegations of gross overcharging by Mr Sutton, that is the crux of the charge against him. In my opinion, that conduct is clearly conduct that may be the subject of disciplinary proceedings. However, essential to that conduct being called into question is the need for a finding that the invoices rendered by Mr Sutton were in fact a "gross" overcharging.

Gross overcharging

The legal principles

49. Mr Hess contended that the concept "gross overcharging" was a legal concept, as distinct from "overcharging", which the Tribunal understood Mr

Hess contended to be purely a question of fact. In my opinion, they may both involve questions of law but ultimately they are a question of fact to be determined from the relevant circumstances. Mr Hess is correct to the extent that the courts have found that where there is a finding of “gross” overcharging, then this may constitute “unprofessional conduct”: see *Vernon; Ex parte Law Society of New South Wales* (1996) 84 WN Pt1 (NSW) 136 at 144. However, it would appear that several questions of fact are involved in such a determination. The first question being whether there has in fact been an overcharging. The next question being whether, in the circumstances of each particular case, the overcharging is such to constitute “unprofessional” or “unsatisfactory” conduct. As I have mentioned a “gross” overcharging may suffice. In these proceedings it is only necessary to determine whether the invoices rendered by Mr Sutton were an overcharging or a gross overcharging as Mr Sutton is not the subject of the charge of alleged “unprofessional” or “unsatisfactory” conduct. As mentioned below, that assessment is not made in the context of what had been contractually agreed between Double Cone and Webmac and Mr Hodgkinson’s firm, but in an ethical context.

50. In regard to a finding of “overcharging” or “gross overcharging” it is not disputed that the onus rests on the Board to prove, according to the civil standard of proof, that the amounts charged in the invoices rendered by Mr Sutton were in fact a gross overcharging: see *Veghelyi v The Law Society of New South Wales* (unreported NSWSC CA, 6 October 1995, BC 9505459), per Mahoney JA at BC 9505459 p 6 and Priestley JA at BC 9505459 p 2-3. It is also well established that in making such findings of fact the Tribunal is to have regard to the gravity of the facts to be proved and only come to the conclusion that a matter was proved if the Tribunal is comfortably satisfied of the fact or facts in question: per Priestley JA (*supra.*) and see also *Briginshaw v Briginshaw* (1938) 60 CLR 336.
51. The concept of “gross” overcharging has been considered in the context of charges by solicitors for the services they have provided. While the charges for services of a registered patent attorney is not the subject of taxation, nor

are such attorneys required to make cost disclosures, the decisions in respect of “overcharging”, in particular “gross” overcharging by solicitors are, in my opinion, equally applicable to charges by registered patent attorneys for their services.

52. In *Veghelyi* (supra) Priestley JA at 16-17 pointed out that a mere disparity between costs as charged and costs as taxed or between “scale costs and an amount charged without prior agreement as to method of calculation” does not necessarily lead to the conclusion of there being a gross overcharging. At p27, Priestly JA went on to say that in some cases gross overcharging “will be obvious but in others such a finding will require an evaluative judgment based on practical (legal) experience”.
53. It is also well established that where a solicitor or barrister charges costs in accordance with a cost agreement that had been entered into between the solicitor and the client prior to the provision of legal services, or where the client has in fact paid for the charges invoiced, this does not operate to prevent an inquiry into the ethical question of whether the amount charged pursuant thereto was excessive: see *Re Veron* (supra), *d’Alessandro v Legal Practitioners Complaints Committee* (1995) 15 WAR 198 at 214 and *Harrison v Trew* [1989] 1 QB 307. As these cases point out there is “a distinction between the legal rules relating to the determination of costs as between legal practitioners and their clients, on the one hand and the ethical rules governing the professional conduct of legal practitioners, on the other”: see *d’Alessandro* (supra) at 210.
54. In *d’Alesandro* the solicitor, the subject of the disciplinary proceedings had charged in accordance with a cost agreement he had entered into with his client pursuant to s.59(1) of the *Legal Practitioners Act 1893* (WA), which provided that such agreements were valid and lawful until set aside. However, in accordance with the abovementioned principles, at 212 Ipp J held that this did not prevent a finding under that Act that the costs charged were so excessive to constitute unprofessional conduct. To hold otherwise he said would give rise to “an untenable situation” as “unscrupulous

practitioners could overreach ignorant or unsuspecting clients by entering into cost agreements with them, providing for grossly excessive costs.”

55. In *Veghelyi* (supra) Mahoney JA at BC9505459 at 9 made the following comments as to the role of disciplinary proceedings inquiring into the question of excessive charging:

“... clients are, or may frequently be, in a vulnerable position viz their solicitors; the presumption of undue influence is, I think, based at least in part upon the fact that when making decisions clients ordinarily or at least frequently place trust in their solicitors. They ordinarily are not in a position to know without investigation what work must be done and what charges are fair and reasonable; they ordinarily assume that the solicitor will make only such charges.

Solicitors are, on the other hand, informed, or in a position to inform themselves, of what work may be required and what are fair and reasonable charges. They are in that sense, in a position of advantage and trust is placed in them. Clients are entitled to be protected against the abuse of such an advantage. It is, I am inclined to think, the fact that the advantage has been misused which may, in a particular case, warrant what the solicitors does being categorised as professional misconduct.”

56. In *d’Alessandro* (supra) at 214 and *Veghelyi* (supra) at BC9505459 at 9-10 (per Mahoney JA) it was held that in determining whether a legal practitioner has charged grossly excessive costs one must first determine what in the particular circumstances would be a reasonable sum to charge. In the case of solicitors this can be measured in accordance with the costs as taxed under the relevant Legal Practitioners legislation. However, no such scheme applies to registered patent attorneys.
57. In *Veghelyi* (supra) at BC9505459 at 12 Mahoney JA said that “What is fair and reasonable, though still a matter of judgment by responsible practitioners, must be determined following an appropriate analysis of the practice of the particular solicitor”. And the factors relevant to this analysis were stated to be the size of the solicitor’s firm, the resources employed or available to be employed by it, the value the solicitor places on his /her skill or expertise and the urgency of the client’s requirements. In that case Priestley JA accepted the approach taken by the Tribunal at first instance in determining whether the solicitor’s charges were excessive: see BC9505459

at 10-12. That approach involved an examination of the material in the solicitor's files and what the scale of solicitor's costs provided in respect of the work that had been done.

58. In these proceedings there is no evidence of any cost agreement having been entered into nor is there any evidence, in the form of file notes or otherwise, as to how Mr Sutton arrived at the figure for his services as stated on the invoice. The only evidence is that at the time the invoices were prepared and issued the practise of Mr Hodgkinson's firm was to apply the charges as set out in the applicable Institute of Patent Attorneys of Australia Recommended Scale of Charges ("**the Scale**"). The content of these charges are discussed more fully below.

The evidence

59. In addition to being provided with a copy of the Scale as it applied in September, October and November 1993 (see **Ex 2**), it was agreed between the parties that the Tribunal be granted access to the original file of Mr Hodgkinson's firm in respect of the Double Cone and Webmac international application under the PCT for their fishing device invention as well as the original file of those countries in which a national phase patent applications were filed and for which Mr Sutton issued an invoice that is the subject of these proceedings. The Tribunal did subsequent to the hearing request access to these files and I have examined the relevant portions of these and taken them into account, together with the other evidence that was tendered or given during the hearing.
60. In respect of the evidence that was tendered or given at the hearing the Board relied on the statutory declarations and oral evidence of Mr Walsh (see **Ex B**) and Mr Stephen Henry Wilson ("**Mr Stephen Wilson**") (see **Ex G, H & I**). As mentioned in para. 26 above, Mr Walsh was a former employee of Mr Hodgkinson. However, Mr Stephen Wilson gave evidence as an expert. His expertise was not challenged.

61. Mr Hodgkinson relied on his own statutory declarations dated 9 December 2002 (see Ex 8) and 24 May 2005 (see Ex 9) and his oral evidence and the statutory declarations of Mr Peter Lesley Pearson (“Mr Pearson”), dated December 2002 (Ex. 7), Mr John Gordon Hinde (“Mr Hinde”), dated 16 December 2002 (Ex. 10), Mr Terence John Collins (“Mr Collins”), dated 5 July 2001 (Ex. 6). At the time Mr Pearson made his Statutory Declaration he was employed as a registered patent attorney with Mr Hodgkinson’s then new firm Hodgkinson Old McGuinness Patent and Trade Marks Attorneys. However, he had been employed with Mr Hodgkinson’s original firm since April 1993. Mr Pearson passed away prior to the hearing and was therefore not available at the hearing of the matter. The Statutory Declaration of Mr Collins hand had been obtained by the Board, who, as it was entitled to do, decided not to rely on its contents. Mr Collins was served with a summons, issued by the Tribunal at the request of Mr Hodgkinson, to give evidence at the hearing. However, the Tribunal was informed that Mr Collins was too ill to attend the hearing. On this basis the Tribunal granted Mr Hodgkinson’s application to have the Statutory Declaration of Mr Collins tendered into evidence.

(a) *The Recommended Scale of Charges*

62. In my opinion, the starting point in respect of the evidence is the recommended Scale of charges as it applied in the latter half of 1993 (see Ex 2). This is a document, which is 49 pages in length and which is divided into 5 columns. The first column provides an item number (e.g. G1 – G17, P1-P96, F1-F17 and PCT1-PCT 14) for each of the various activities a patent and/or trade marks attorney may undertake in the course of his/her practise, which are listed in the second column. In column three, provision is made for any “Fee” that may be payable in respect of a particular activity. It is clear that this “Fee” relates to the fee charged by a government agency for applications or other relevant document that is filed with that agency. Accordingly, not every activity listed in the Scale has a fee entry in the fourth column. In column four, provision is made for the “Service Charge”

of each activity and the final column is a total of the “Fee” (if any) and the “Service Charge”.

63. The activities in the Scale are grouped under various sections, namely “General”, “Patents”, “Trademarks”, “Business Names”, “Designs”, “Overseas Countries” and “Plant Variety Rights”. Under the heading “Overseas Countries” provision is made for “PCT applications” and “PCT national phase applications”.
64. In the notes on the front page of the Scale is the following:
- “Notes
- (1) It is recommended that members use discretion in applying Service Charges to allow for special circumstances of local individual inventors, small businesses and other enterprises adversely affected by current economic conditions. A discount of 20% is suggested in these circumstances.
- (2) Where the Scale does not otherwise provide for urgency, it is recommended that an expedition fee surcharge, of up to 20% of the Service Charge, be applied when instructions are given very late or where the client requires urgent attention for his own purposes.”
65. Time rates for registered patent attorneys are contained in the “General” section of the Scale (i.e. item G1). Also included in this section are charges in respect of typing, photocopying, translations, transfers and file handling. In respect of translations, the Scale provides for a 20% surcharge on the cost of a translation as a charge for arranging the translation: see **Ex. 2**, p.4 at G 9.
66. Pages 48 and 49 of the Scale make provision for service charges in respect of “PCT applications”. Item PCT 14. provides as follows:
- “Commencing the national phase in each designated or elected country or region, except Australia, plus 15% of associate’s charge and excluding photocopying of search (and Examiners) report, citations, amended pages, etc. (See Items F1, F4, F5 etc.).
67. Items F1, F4 & F5 are also in the “Overseas Countries” section under the sub-section entitled “Patents” and “European Patent Applications”. These

items, so far as they are relevant, provide the following description of the relevant activity and the corresponding “Service Charge” for that activity:

F1.(a)	...	
(b)	Complete – after provisional application or specification	
(i)	for one country	\$1,170.00
(ii)	for each additional country on instructions at the same time	\$1,120.00
F4.	Lodging a European patent application (excluding re-typing of specification and drafting special claims)	\$1,750.00
F5.	Additional charge per designated country at filing	\$140.00

68. The Scale provides for a separate service charge for preparing and filing a national phase patent application in Australia. This charge is item P6. and makes provision for a service charge of \$710.00.

69. Under the “General Notes” of the section relating to “Overseas Countries” the following is provided for:

“GENERAL NOTES

- (a) Overseas associates charges should be added to the service charges listed plus 15% where not prepaid.
- (b) Charges for other services should be based on the service charge for a corresponding Australian service.
- (c) The minimum charge for patents apply to specifications of not more than eight pages and exclude the cost of drawings.”

(see Ex. 2, at p.42)

70. Under the section “Patents” at item P15 provision is made for the preparation of original drawings. The service charge for this is described as being 25% of the draftsman’s costs from \$65+.

(b) *The Board's evidence*

71. As mentioned above, Mr Sutton kept no record, other than that which is contained in the narrative of the invoice, as to how he calculated the service fee for each invoice. It was on the basis of these narratives and the material provided to him by Mr McLean that Mr Stephen Wilson made his first Statutory Declaration, dated 11 July 2001 (see Ex G). In summary, on the basis of this material Mr Stephen Wilson formed the opinion that the narrative in the invoices did not suggest that the filing of the national phase application to which the invoice related was “other than a matter of routine.” Nor did the narrative explain why the recommended charges were more than that recommended in the Scale of charges; namely \$1,170 (see Ex G at para. [18]). In the case of Australia and Europe, the recommended Scale of charges he said were \$710.00 and \$1,750.00 + \$140 for each designated country within Europe, respectively (see Ex G at para. [21] & [25]). Mr Stephen Wilson also pointed out that the amount charged for services in the invoices relating to the preparation and filing of the national phase patent applications in the United States, Norway, South Korea, Japan and Canada were almost double that which was recommended in the Scale. In respect of Australia the charge was more than double that which was recommended in the Scale. On the assumption that the European application included lodgement in 10 designated countries within Europe, Mr Stephen Wilson concluded that the invoice for this country also exceeded the amount recommended in the Scale of charges.
72. Mr Steven Wilson also said that he could not understand why a charge of about \$60.00 for drawings had been raised in the invoices as the drawings are lodged at the PCT lodgement stage and that nothing additional in the way of drawings was required upon national phase entry (see Ex. G at para. [26]).
73. Subsequent to making his Statutory Declaration of 11 July 2001, Mr Steven Wilson was provided with the original files in respect of the subject national phase patent applications. Having examined those files Mr Steven Wilson

made a further Statutory Declaration on 23 August 2002 (see **Ex. H**). In that Statutory Declaration Mr Steven Wilson said the following:

- “2. My review of the files of the Australian and foreign counterpart applications reveals there is nothing in the files which explains why the initial filing charge for lodgement of those applications was considerably greater than that recommended by the Institute scale at the time. Indeed, apart from the Japanese case which is referred to below, the filings in all other countries appear to be a matter of routine and therefore, if Mr Hodgkinson was charging in accordance with the Institute scale, the actions would not have attracted a charge any greater than that specified in the Institute scale for lodgement of the applications.
3. The application of Japan was slightly complicated by correspondence with a Japanese law firm acting on behalf of Mr McLean in relation to possible commercialisation of the invention in Japan. However, the correspondence between Mr Hodgkinson and that law firm, and the additional work that this correspondence would seem to have required, does not explain the magnitude of the charge for lodgement in Japan. In my opinion, this work may have involved an additional cost, on a time basis, of a few hundred dollars, but certainly not a charge of about \$1,200 more than that recommended by the Institute scale at the time.

74. In his oral evidence, Mr Walsh said that Mr Hodgkinson had instructed him and the other professional staff that worked for his firm that: “the scale charge is to be construed as a flag fall – it’s like when you hire a taxi, you are charged a flag fall and then a per kilometre rate beyond that.”(see **T at 48**) Mr Walsh then went on to explain that as a result of these instructions his practice was to charge the basic fee and then add to it a time component that represented the time that he had spent on providing the services to which the invoice related. As explained below, during cross-examination, Mr Hodgkinson acknowledged that he used the term “flag fall” in respect of the Scale.

75. During cross-examination Mr Stephen Wilson made several concessions to questions put to him by Mr Hess as to what charges, in addition to the fee set out in items F1 and F4 and F5 of the Scale may be charged by the registered patent attorney. However, he also adhered to his evidence that he would not charge these additional charges. These concessions are discussed more fully below.

(c) *Mr Hodgkinson's evidence*

76. As mentioned in para. 31 above, following receipt of Mr McLean's complaint, Mr Hodgkinson prepared his own calculations, by using his own experience and skill in respect to national phase patent applications and by having regard to the material on each file, together with his knowledge of the billing practices of his firm at the relevant time, as to the appropriate service fee for each of the invoices in dispute: **see Ex 8**, at para. [25] to [27]. This I understand to also mean that this could have been the basis on which Mr Sutton had calculated his service fee.

77. As mentioned in para. 30 above, Mr Hodgkinson has at all times asserted that his firm charged in accordance with the Scale. When asked by the Tribunal what this meant he said:

“The scale has – for example, as Mr Wilson has conceded, a base charge and if additional services are provided, the scale provides for the attorney with the option at his discretion to charge for those services. Charging to scale is a global phrase that I use.” **see T**, at 275

78. Mr Hodgkinson readily admitted that he had instructed his staff that the service charge for preparing “entering” a PCT national phase was a “flag fall”(see **T**, at p260), which he later agreed was the same as a base charge (see **T**, at p275). To this flag fall he said could be added “ ... bits and pieces, conferences, phone calls, things that are difficult to allocate to a particular file, it's our practice to add it into the first of the sequence of files, the Australian file.” **see T**, p260

79. As to what was included in the Scale charge for PCT national phase patent applications (i.e. Items F1, F4, F5 and P6), Mr Hodgkinson said the following:

“It incorporates – let me think – starting from the beginning: taking instructions; where applicable, receiving and accounting for moneys up front; assessing whether the matter is urgent; causing a file to be created; alerting the surveillance department to the likelihood the due date will be

met; preparing the requisite number of copies of the specification for each file, one for the file, one for the overseas associate and one for the client; working out the formalities requirements of the country in question – “What have we got? What do we still need?”; drafting documents that haven’t been prepared; in the case of Webmac, sending them to two different sites, one in New South Wales, the other in Victoria, by express post for signature and return; policing all that; getting together documentation that assists the foreign agent in understanding what the invention is about and persisting him in understanding the likelihood of success or otherwise of the application, and by that I refer to a discussion of prior art, for example, that might be known to the attorney – the instructing attorney; other documentation, like the small entity status. There is a lot of work in it.”
see T, at p281

80. During cross-examination Mr Hodgkinson explained that his practice in preparing invoices was as follows:

“... my practice, for example, is when I come to bill a matter I go through the file step by step and I have a calculator beside me and a scale of charges and I see what service has been provided, and I look up the scale and I punch in that amount, and that is the amount as I dictate the narrative on the one hand and punch in the amount on the other, that’s how the debit note is created. There is no one in my office to my knowledge even today prepares such a documentation. That’s not to say that it’s not the practice in other offices.” see T, at p258-259

81. Following this response the following interchange took place:

MS NICHOLAS: Certainly. How would you then go about dealing with complaints about a billing? – –By reference to the scale.

TRIBUNAL: So are you saying every time a complaint comes in you go through exactly the exercise that you had done in this case? ...”

82. In providing his calculations of what he believed was chargeable, Mr Hodgkinson added the following Scale items to the service charge that was provided for national phase PCT patent applications in item P6, F1, F4 and F5:

- (a) with the exception of the invoice in respect of Australia, a 15% charge for the overseas associate’s fee that had not been pre-paid (see General Note (a) on page 42 of the Scale);

- (b) in respect to the European invoice an additional charge of \$140 for each of the European countries in which the application was to be filed (see F5 of the Scale);
- (c) in respect to the Australian invoice, a 15% charge on the disbursement fees that had not been pre-paid;
- (d) a priority document charge of \$20 in respect to the applications filed in USA, South Korea, Japan and Norway. And a \$90 priority document charge in respect of the application filed in Canada (see P67 of the Scale);
- (e) a filing handling fee of \$105 and a priority document fee (see G14 of the Scale); and
- (f) a 20% urgency charge (see note (2) at page 1 of the Scale).

83. Below is a table, which sets out the Scale item charge for services for a national phase patent application, the actual amount charged by Mr Sutton in the invoices and the charge for services as calculated by Mr Hodgkinson:

Country	Scale Charge	Actual Charge invoiced	Hodgkinson's calc. of charge
Australia	\$710.00	\$1,910.00	\$938.00
Canada	\$1,120.00	\$2,250.00	\$1,897.66
Japan	\$1,120.00	\$2,400.00	\$2,534.09
Norway	\$1,170.00	\$2,250.00	\$2,185.74
South Korea	\$1,120.00	\$2,250.00	\$1,959.79
United States	\$1,120.00	\$2,250.00	\$2,117.02
Europe (13 countries)	\$3,570.00	\$4,300.00	\$6,591.00

Total costs for services	\$9,930.00	\$17,610.00	\$18,223.30
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84. In addition to the abovementioned charges, Mr Hodgkinson said that in his opinion the services that had been provided were above those envisaged by the Scale charge for filing a national phase patent application and that on this basis a further time based charge was justified: **see Ex 8**, at para [35]. A considerable amount of time was taken up at the hearing in respect of these additional services, which are unnecessary to repeat in this decision.

85. Mr Pearson in his Statutory Declaration provided his assessment of what he regarded as being the appropriate “minimum” Scale charges for the work that had been done by Mr Sutton in preparing and filing the relevant national phase patent applications: **see Ex 7** at para [27] to [31]. These included the 15% of associate’s fees that had not been prepaid and a 20% urgency charge. He then went on to consider the material that was contained on the relevant files and concluded that the charges levied by Mr Sutton were fair and reasonable, in accordance with or below the charges which would be levied if billing according to Scale and that they were in accordance with the standard practice of the profession: **see Ex 7** at para 102. Mr Pearson, who had been employed as a registered patent attorney since 1974, commenced working for Mr Hodgkinson’s firm in 1993 and he continued to work with the firm and was working with Mr Hodgkinson’s new firm when he made his declaration. In respect to procedures for preparing invoices Mr Pearson said the following at para [32]:

“There was no specific, standard procedure for the narrative to be used in a debit note [invoice] when I arrived at the firm. There was also no standard procedure in place when I left FB Rice & Co. I adopted Sutton’s invoicing style as it appeared to me to be appropriate to particularize lists of tasks completed and charged, broken down to the steps undertaken, rather than listing the global task completed (e.g. “National Phase Entry”).”

86. In his statutory declaration, Mr Collins stated that on the basis of the documents that had been provided to him, it was his opinion that a surcharge of 20% for urgency was chargeable and that in addition to this a time based

fee was chargeable in addition to the service charge that was provided in the Scale for a national phase patent application: **see Ex 6**, at para [10] to [15]. At para [16] he also gave examples of other Scale items for which charges could have been made and then subsequently stated that these may have explained the discrepancy between his calculations and those invoiced by Mr Sutton.

87. In his Statutory Declaration Mr Hinde states that he had previously worked with Mr Hodgkinson and that he had known Mr Sutton for many years. He agreed with the extra charges that had been identified by Mr Hodgkinson and Mr Pearson in their Statutory Declarations, as being chargeable in addition to the service charge in items P6, F1 , F4 and F5 for the filing of a national phase patent application: **see Ex 10**, at para [19] & [20]. However, he goes on to state at para [21] the following:

“I base this conclusion on my review of the files. By this I do not mean to say that I personally agree with all aspects of the approach taken by Mr Sutton to invoicing. A number of the debit notes in question level a flat service charge of \$2250 for entry into the National Phase of the international application. This is not a practice I would adopt, I would level individual charges on a file by file basis. ...”

88. In his oral evidence Mr Hinde confirmed that what he meant by this was that he would itemise all the different aspects of the service charge: **see T**, at p234. Notwithsatnding this, having examined the files in question, Mr Hinde formed the opinion that there was some complexity in the national phase patent applications, in particular in relation to Japan and South Korea and that the charges that had been made were justified: **see Ex. 10** at para. [23]. However, he did not state how he had calculated the amounts that he believed to be chargeable from the items on the Scale. He also stated that in those cases where drawings were complex it was preferable to lodge fresh drawings with each and every national phase patent application: **see Ex. 10** at para. [24]. In his oral evidence, Mr Hinde stated that his firm had formulated its own scale of charges, which were forwarded to all the clients of the firm and the charges in all invoices were itemised in accordance with that scale: **see T**, at 239.

89. In his Statutory Declaration, dated 10 January 2003, Mr Stephen Wilson, having considered the abovementioned Statutory Declarations of Mr Hodgkinson, Mr Peter Pearson and Mr John Hinde, confirmed his earlier evidence: **see Ex I**, at para [2]. At para [5] Mr Stephen Wilson said the following in respect of Mr Hodgkinson's calculations:

“Mr Hodgkinson's justification of the charges made appears to be based on an attempt to extract every possible applicable item from the Scale of charges, and also based on alleged additional work which was required at the time. Whilst every item in the Scale seems to have been seized upon, there does not appear to be any consideration of a 15-20% discount suggested by the Scale for individual investors or small organisations. ...”

90. He also said that, in his opinion, the 20% urgency surcharge was not warranted as a one month period in which to prepare such applications and forward them to the relevant foreign associates he regarded as being a normal period of time. In respect of the European application, Mr Wilson noted that the deadline was 19 November 1993, and not 19 October 1993, which gave Mr Sutton an additional month within which to file that particular application: **see Ex. I** at para. [8]. Mr Steven Wilson went on to say that in his opinion the file handling fee was “completely unjustified” as this is a charge which would be included in the basic service charge for a national phase filing: **see Ex. I** at para. [7]. Mr Steven Wilson acknowledged that the 15% of associates' charges was justified if no prepayment was received: **see Ex. I** at para. [6]. However, he also found that there was nothing on the files which suggested that significant amounts of additional time were required in order for Mr Sutton to prepare and file the national phase patent applications: **see Ex. I** at para. [9].

91. Mr Stephen Wilson was cross examined at length on these particular charges and other aspects of the various applications as evidenced in the files. It is not necessary to make specific reference to his responses, other than to say that he agreed with Mr Hess's proposition that while he would not have included a charge for these particular items, he acknowledged that in this regard other registered patent attorneys may have a contrary view.

Consideration

92. As mentioned above, the charge, which has been made against Mr Hodgkinson, relates to two aspects of the invoices the subject of these proceedings. These are the amount charged for services rendered by Mr Sutton, which are alleged to be a “gross” over charging and the disbursement charge for drawings, which are alleged to have been unnecessary.

(a) *The Drawings*

93. In respect of the allegation relating to the drawings there was no suggestion that drawings were not made and provided. Indeed, the letters that Mr Sutton wrote to the Australian Patents Office and the firms overseas associates each make mention of drawings being enclosed with the letter. Nor was it asserted that the amount charged for such drawings was excessive or more than that provided for in the Scale.

94. In respect of the drawings charge in the Australian invoice, Mr Hodgkinson said in his statutory declaration of 9 December 2002, that this charge was rendered in “error”: see **Ex 8**, at para [33]. Mr Collins also said that this charge was difficult to “explain as the Australian Patent Office would normally accept the drawings lodged with the PCT application”: see **Ex 6**, at para [21.1(b)]. I understood from this evidence that no additional drawings, original or otherwise, were required for the Australian national phase patent application. Otherwise, there was no dispute that the remaining national phase patent applications required drawings to be included in the application. What appeared to be in issue was whether it was sufficient to provide photo copies of the drawings that had already been filed with the PCT application. In my opinion, nothing turns on this, both involve costs to the client. This is clearly one of those matters, which the attorney preparing the application will use his/her judgment on how he/she believes his/her client’s interest will best be served. In this regard Mr Stephen Wilson’s opinion was that he would not have made new drawings, yet the other witnesses formed a contrary view.

95. Accordingly, while I find that the disbursement charge of \$60.00 in the Australian national phase patent application invoice (No 14632) was an unnecessary charge, the Board has failed to satisfy the Tribunal that the remaining disbursement charges for drawings were unnecessary as particularised in para. [7] of the Board's particulars: see para [4] above.
- (b) *Service Charge*
96. The question of whether the service charge in the invoices is an overcharging and a gross overcharging is more difficult to determine. However, in light of Mr Hodgkinson's evidence, the starting point is the Scale of charges as this is what he stated that his firm charged at the relevant time. This evidence also appears to be consistent with the general estimate given by Mr Wilson, to Mr Beaton, in his letter of 15 September 1992: (see **Ex 5**). I also understand from the terms of Mr McLean's complaint that this is the basis on which he believed Double Cone and Webmack would be charged for the services provided by Mr Sutton.
97. As Mr Sutton was not available to explain how he had calculated the particular service charge in each invoice nor is there a record of this in the files, the question of whether Mr Sutton's charges for services rendered were an overcharging, must be assessed from the material that is on the respective files, the narrative that is contained in the invoices that were issued and then determining what Scale items of charge would, in the circumstances, be reasonably chargeable for the work that was done. The evidence of other experienced registered patent attorneys is relevant to the latter issue as to what is reasonable. However, as Ms Nichols pointed out the Tribunal is to make its own assessment in this regard and is not bound by the evidence that is given by particular experts.
98. As pointed out in *d'Alesandro* (supra) in making this determination the Tribunal is not engaged in an exercise of taxation or determining what the costs should or should not have been, it is a question as to whether the

charges as invoiced by Mr Sutton were such that he abused his position of advantage over that of his clients: see *Veghelyi* (supra).

99. The purpose behind the formulation of the Scale of charges was undoubtedly to assist patent attorneys in having some consistency and appropriate relativities in their charging for the professional services they provide to their clients. It also serves as a means by which clients are informed about what services are provided and what the charges are for those services. Clients are then in a position to be better informed when making choices of whose services they will engage and whether they have been reasonably charged for the services that they were provided. It is now common practice and in some case a legislative requirement (see *Legal Profession Act 2005* (NSW), Chapter 3, Part 3.2 at Division 3) for registered professionals to inform clients of their charges for their professional services. Although the Scale is a means of providing this information, as the title of the Scale indicates, it is only a recommended Scale of charges and in no way binds registered patent attorneys as to what they are to charge. However, if a registered patent attorney leads a client to believe that services will be charged in accordance with that Scale, then the attorney must be able to justify his/her charges against the Scale. In justifying the charges, it would be inappropriate for an attorney to meticulously sift through the various items with a view to maximising the fee that can be charged. This in my opinion could amount to an overcharging.
100. In respect to the Scale item of charges, I do not accept Mr Hodgkinson's interpretation that the service charge in items P6, F1, F4 and F5 are a "flag fall". They are not described as such and I note that there are other items in the Scale that expressly provide that the charge is a basic charge to which a time component must be added. As I have said this does not mean that Mr Hodgkinson is not free to apply his meaning, but in my opinion, it goes beyond what is envisaged in the terms of the item and the Scale as a whole.
101. In my opinion, the service charge as set out in item P6, F1, F4 and F5 are intended to be the service charge for the preparation of a routine national

phase patent application. That is, where the application(s) is routine in nature, the Scale charge has incorporated within it the time that the attorney spent on the preparation of the application and its filing. Where the application(s) is complex and requires more time to be spent on it, then the Scale makes provision for charging for the extra time. However, unless the attorney is able to identify the complexities and the additional time spent on them, in my opinion, the attorney is open to a finding that there is no justification for charging for his/her extra time.

102. In respect of the national phase patent applications that are the subject of these proceedings, having examined the files, in particular the two letters written by Mr Sutton and the narrative in the invoices he rendered, I accept the evidence of Mr Stephen Wilson that each of the applications were routine in nature. While I accept that the Japanese and South Korea applications were a little more complex, they were not sufficiently complex to take these applications outside of being routine. Similar letters were written in each of the applications and the material required for each application did not vary significantly. Where there was a variation, in my opinion, this was of a minor and routine nature for the country concerned. In making this finding I have carefully considered the evidence of Mr Hodgkinson and the other witnesses he relied on. However, I found this evidence to be fairly self serving and not as reliable as the contemporaneous records, which did not indicate that the applications in question were other than routine.
103. I also reject Mr Hodgkinson's evidence in respect of the 20% surcharge for urgency. Again, Mr Sutton did not make a record of having considered that he received instructions so late that he regarded his preparation of the various national phase patent applications as being urgent. While he "urgently" requested instructions in his letter of 10 September 1993, he did not indicate that he would be required to deal with the applications as being urgent.
104. I also reject Mr Hodgkinson's evidence in respect of the 15% surcharge for associate fees. While I accept that such fees may have been chargeable, on

the basis of the material on the file and the narrative in the invoices, in my opinion there is no evidence that this was a charge that Mr Sutton had in mind when preparing his invoice. Had it been a factor, it is arguably a fee that would be added to the disbursement relating to the overseas associate and not as part of Mr Sutton's service fee.

105. For similar reasons, I make the same finding in respect of all the other charges relied on by Mr Hodgkinson that he contended were chargeable. While they are items that Mr Hodgkinson may have charged if he had done the work, these were not items that Mr Sutton identified as justifying the charge that he had invoiced. On this basis Mr Hodgkinson's evidence and that of Mr Pearson, Mr Hinde and Mr Collins were merely guess work. As Mr Hinde explained his practice is to render invoices that itemise and cost the various aspects of a service charge. While this is not a necessary requirement, it avoids any criticism as to what Scale items have and have not been included in the charge to justify the total amount invoiced for services rendered. In the case of Mr Sutton's invoices, not only does his narrative fail to justify the level of the charges, the files do not contain any such record.
106. Accordingly, on the basis of the information contained in the contemporaneous material, the Tribunal can only come to one conclusion, Mr Sutton arrived at the charge he did irrespective of what the relevant Scale item provided for the charge of services in respect of a routine national phase patent application. This is consistent with Mr Hodgkinson's evidence that Mr Sutton was a "high biller": see T, at 326. To the extent that the service charge was almost double, or more than double in the case of Australia, that which was provided for in the Scale is, in my opinion, an overcharge and a gross overcharge. While the service charge for the European application was not double that of the Scale item it was almost \$800.00 more. Again this is an overcharging and when considered together with amounts charged for services in the other invoices (see table at para 83 above), in my opinion Mr Sutton's conduct was such that he overcharged and that this was a gross overcharging.

Unsatisfactory or unprofessional conduct

107. As explained in para. [48] above, the Board has particularised Mr Hodgkinson's conduct after becoming aware of the alleged gross overcharging by Mr Sutton, which is the subject of the charge that has been made against him. Furthermore, the conduct, which was particularised as giving rise to a finding of "unsatisfactory conduct" was Mr Hodgkinson's failure to take any or reasonable steps to correct the gross overcharging by Mr Sutton. In her submissions on behalf of the Board, Ms Nicholas contended that the evidence supported not only a finding of "unsatisfactory conduct" but also "unprofessional conduct".
108. In respect of this contention, Mr Hesse contended that the Board was bound by the terms of its particulars of 8 March 2002, which only made reference to an allegation of "unsatisfactory conduct" by Mr Hodgkinson.
109. Ms Nicholas in reply, submitted that it was open to the Tribunal to make findings in respect of "unsatisfactory conduct" as well as "unprofessional conduct". She pointed out that on considering the complaint by Mr McLean, the Board had made a finding that Mr Hodgkinson may be guilty of "unprofessional or unsatisfactory conduct" in respect of the gross overcharging by Mr Sutton.
110. The answer to the issue raised by Mr Hess lies in reg. 20.23(1) of the Regulations which expressly enables the Tribunal to make a finding of "unprofessional conduct" even though the hearing only related to a charge of "unsatisfactory conduct" and visa versa.
111. There is no dispute about the applicable legal principles in respect of findings of "unsatisfactory" and "unprofessional" conduct. These were fully set out by the Tribunal, Mr John F. Lyons QC, in the complaint brought by Mr Mettall against Robin Kelly (28 February 1997). Nor is it disputed that the onus rests on the Board to prove (on the *Briginshaw v Briginshaw* (supra) test) that the conduct complained of constituted either "unsatisfactory" or "unprofessional" conduct.

112. In my opinion, the Board has failed to prove that the conduct of Mr Hodgkinson on becoming aware of the alleged overcharging constituted “unsatisfactory” or “unprofessional” conduct as defined in the Regulations. That is, at the hearing, the Board failed to adduce any evidence that the steps taken by Mr Hodgkinson after he became aware of the allegations were such that they constituted “unprofessional” or “unsatisfactory” conduct nor did it adduce evidence of what the standard practice of a competent and experienced registered patent attorney would or could do in the circumstances, particularly where the conduct occurred more 5 years after the invoices were rendered and after Mr Sutton had left the employ of Mr Hodgkinson’s firm. Mr Stephen Wilson did not give any evidence in this regard, nor was Mr Hodgkinson or Mr Hinde asked any questions in this regard.
113. While Mr Stephen Wilson was critical of the manner in which Mr Hodgkinson had made his calculations of the service charge, I accept that Mr Hodgkinson made these in good faith in accordance with what had been requested by Mr McLean and then the Board. However, as pointed out above, in my opinion, Mr Hodgkinson’s view, in hindsight, of what Scale items were or should have been chargeable was not relevant. What was relevant was Mr Sutton’s justification for the charges he had rendered. I have found that from the material he created he provided no justification for a charge that was greater than the relevant Scale item for service charges for a national phase patent application. At the hearing it was this aspect of the evidence that was primarily pressed by the Board, but in my opinion, based on the particulars of the charge it was required to go further, as there was no evidence that Mr Hodgkinson had any involvement in the rendering of the invoices by Mr Sutton. The evidence suggests that in this regard Mr Sutton an unregistered patent attorney was authorised by Mr Hodgkinson to perform the functions of a registered patent attorney, without any supervision. While, this may be of concern, it was not conduct, which formed the subject of the Board’s charge.

Conclusions

114. For the reasons set out above, the Tribunal finds that the Board has failed to prove the charge that it made against Mr Hodgkinson.

Date/s of Hearing:	2 & 3 August 2005
Date of Decision:	10 January 2006
Counsel for the Board:	Ms R Nicholas
Solicitor for the Board:	Nicholas Dibb
Counsel for the Patent Attorney	Mr B J Hess
Solicitor for the Patent Attorney	White & McDonald