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Dear Ms Hutchinson

### Estoppel and Appeals from Patent Office Decisions

1. The Intellectual Property Committee of the Business Law Section of the Law Council of Australia (**IPC**) is pleased to provide this note to IP Australia in response to its request for comment on the issue of estoppel arising in relation to appeals from Patent Office decisions.
2. Before the amendments made by the *Intellectual Property Law Amendment (Raising the Bar) Act 2012* (Cth) (the **Raising the Bar Act**), the question in a pre-grant opposition proceeding before the Commissioner and on appeal to the Federal Court was whether it was “*practically certain*” that a patent granted on an unopposed application would be invalid.<sup>1</sup> By contrast, post-grant revocation proceedings under section 138 were (and still are) determined to the civil standard: the balance of probabilities.<sup>2</sup>
3. In *Genetics Institute Inc v Kirin-Amgen Inc*,<sup>3</sup> the Full Court considered whether a finding of fact by a single judge in pre-grant opposition proceedings could ground an issue estoppel in a later revocation proceeding.<sup>4</sup> The difference in the nature of the two proceedings was “*sufficient to preclude the operation of issue estoppel principles*”.<sup>5</sup> A finding that it is not “*practically certain*” that the patent (if granted) would be invalid on any particular ground is not conclusive of the question whether, on the balance of probabilities, the patent should be revoked on the same ground in later revocation proceedings.

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<sup>1</sup> *Vehicle Monitoring Systems Pty Ltd v SARB Management Group Pty Ltd* (2021) 288 FCR 247, [2021] FCAFC 224 at [12] – [13] per Nicholas, Yates and O’Byrne JJ, referring to *Genetics Institute Inc v Kirin-Amgen Inc* (1999) 92 FCR 106 at [17] and *Pfizer Corporation v Commissioner of Patents* (2006) 155 FCR 578, [2006] FCAFC 190 at [8].

<sup>2</sup> *Briginshaw v Briginshaw* (1938) 60 CLR 336 at 361-362; see now *Evidence Act 1995*, s 140.

<sup>3</sup> (1999) 92 FCR 106

<sup>4</sup> *Genetics Institute* at [17] per Black CJ, Merkel and Goldberg JJ.

<sup>5</sup> *Genetics Institute* at [17].

4. The Raising the Bar Act introduced section 60(3A) to the Patents Act 1990 (Cth), which provides that, if the Commissioner is satisfied on the balance of probabilities that a ground of opposition to the grant of the standard patent exists, the Commissioner may refuse the application.<sup>6</sup> Therefore, the same standard of proof applies in pre-grant opposition proceedings (including appeal decisions of the Federal Court) as in post-grant revocation proceedings.
5. The potential for an issue estoppel to arise from a finding of fact by a judge in an opposition appeal was raised in *VMS v SARB* in support of an application for leave to appeal to the Full Court under section 158(2).<sup>7</sup> The proposition that an issue estoppel could arise appears to have been common ground.<sup>8</sup> In granting leave to appeal, the Full Court found it unnecessary to reach a concluded view on the question whether an issue estoppel would be available to SARB in subsequent proceedings between the parties, observing that “*whether an issue estoppel is available should only be determined if, and when, that question arises*” but adding that it was “*pertinent to observe that the legal landscape has changed*” and “*earlier cases dealing with the question of leave [to appeal] should be read with that change in mind*”.<sup>9</sup>

## Principles

6. Issue estoppel is one of the three forms of estoppel recognised by the common law of Australia as having the potential to result from the rendering of a final judgment in an adversarial proceeding.<sup>10</sup> The others are cause of action estoppel (also known as *res judicata*) and *Anshun*<sup>11</sup> estoppel.<sup>12</sup>
7. As the Dixon J explained in *Blair v Curran*:

*The distinction between res judicata and issue-estoppel is that in the first the very right or cause of action claimed or put in suit has in the former proceedings passed into judgment, so that it is merged and has no longer an independent existence, while in the second, for the purpose of some other claim or cause of action, a state of fact or law is alleged or denied the existence of which is a matter necessarily decided by the prior judgment ...*<sup>13</sup>

<sup>6</sup> The IPC notes that the *Patents Amendment Act 2001* (Cth) had already changed the ‘practically certain’ standard to a balance of probabilities standard in respect of objections to validity on grounds of lack of novelty or inventive step. The amendments made by the ‘Raising the Bar’ Act extended this change to all grounds for objection: Explanatory Memorandum Schedule 1 item 14. This amendment was part of a package addressing “concerns that patent thresholds in Australia [were] too low, making patents too easy to get and discouraging follow-on innovation.”

<sup>7</sup> *VMS v SARB* at [16]-[17].

<sup>8</sup> See *VMS v SARB* at [16]: “The respondent agreed that, following the introduction s 60(3A) of the Act, it is no longer clear that the applicant could raise, either defensively or by way of revocation proceedings, the question of entitlement determined in the pre-grant opposition proceedings.”

<sup>9</sup> *VMS v SARB* at [19].

<sup>10</sup> *Tomlinson v Ramsey Food Processing Pty Ltd* (2015) 256 CLR 507, [2015] HCA 28 at [22] per French CJ, Bell, Gageler and Keane JJ.

<sup>11</sup> After *Port of Melbourne Authority v Anshun Pty Ltd* (1981) 147 CLR 589. Estoppel in this form operates to preclude the assertion of a claim, or the raising of an issue of fact or law, if that claim or issue was so connected with the subject matter of the first proceeding as to have made it unreasonable in the context of that first proceeding for the claim not to have been made or the issue not to have been raised in that proceeding.

<sup>12</sup> *Tomlinson* at [22].

<sup>13</sup> (1939) 62 CLR 464 at 532.

8. An issue estoppel operates to preclude the raising in a subsequent proceeding of an issue of fact or law that was necessarily resolved as a step in reaching the determination made in the judgment.<sup>14</sup> The classic expression of the primary consequence of its operation is that a “*judicial determination directly involving an issue of fact or of law disposes once for all of the issue, so that it cannot afterwards be raised between the same parties or their privies*”.<sup>15</sup> Thus, for an issue estoppel to apply, three requirements must be satisfied: (1) the same question has been decided; (2) the judicial decision which is said to create the estoppel was final; and, (3) the parties to the judicial decision or their privies were the same persons as the parties to the proceedings in which the estoppel is raised or their privies.<sup>16</sup> A “final” decision in this context is not determined by whether there is scope for an appeal (whether as of right or by leave). It is concerned with whether the decision is conclusive of the issue as between the parties, in contrast to, for example, an interlocutory decision.

9. Importantly, as Dixon J further explained:

*The estoppel covers only those matters which the prior judgment ... necessarily established as the legal foundation or justification of its conclusion ...*

*Nothing but what is legally indispensable to the conclusion is thus finally closed or precluded. In matters of fact the issue estoppel is confined to those ultimate facts which form the ingredients in the cause of action, that is, the title to the right established. Where the conclusion is against the existence of a right or claim which in point of law depends upon a number of ingredients or ultimate facts the absence of any one of which would be enough to defeat the claim, the estoppel covers only the actual ground upon which the existence of the right was negated. But in neither case is the estoppel confined to the final legal conclusion expressed in the judgment ... [T]he judicial determination concludes, not merely as to the point actually decided, but as to a matter which it was necessary to decide and which was actually decided as the groundwork of the decision itself, though not then directly the point at issue.<sup>17</sup>*

10. This note focusses on issue estoppel because a subsequent revocation proceeding is a different cause of action from that raised in a pre-grant opposition appeal such that *res judicata* is not applicable. Further, the fact situations potentially giving rise to Anshun estoppel issues are so case-specific that they are not usefully addressed in a note of this kind.

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<sup>14</sup> Tomlinson at [22], citing *Blair v Curran* at 510, 531-533; *Jackson v Goldsmith* (1950) 81 CLR 446 at 466-467.

<sup>15</sup> Tomlinson at [22], citing *Blair v Curran* at 531 and *Kuligowski v Metrobus* (2004) 220 CLR 363, [2004] HCA 34 at [21].

<sup>16</sup> *Kuligowski* at [21], citing *Carl Zeiss Stiftung v Rayner & Keeler Ltd [No 2]* [1967] 1 AC 853 at 935 per Lord Guest.

<sup>17</sup> *Blair v Curran* at 531-2.

## Can Federal Court decisions in pre-grant oppositions appeal give rise to issue estoppel?

11. There is currently no direct authority on the question of whether an issue estoppel arises from a judgment of the Federal Court on an appeal in pre-grant opposition proceedings following the introduction of section 60(3A). However, on the proper application of the above principles, such an estoppel could arise.
12. Assume a scenario in which the Federal Court rejects an opposition in a section 60(4) appeal and allows patent application 1234 owned by *Lee* to proceed to grant. In so doing, assume the Court found that the opponent *Singh* had failed to prove that prior art *ABC* was publicly available before the priority date and in any event did not disclose each of the essential claim integers. Patent 1234 is granted, and *Lee* sues *Singh* for infringement. There is a strong argument that *Singh* is estopped from asserting in the infringement proceedings that Patent 1234 lacks novelty over prior art *ABC*. The Federal Court's section 60(4) decision was a final judicial determination between the same parties that decided the same question: whether patent 1234 lacked novelty over prior art *ABC*.
13. A different analysis and conclusion may be called for where different grounds of invalidity, and perhaps different items of prior art information, are sought to be relied on in the later proceeding.<sup>18</sup>

### Practical implications of issue estoppel in this context

#### *Fewer appeals by unsuccessful opponents*

14. The risk of issue estoppel limiting the arguments available in revocation proceedings to an earlier opponent later accused of patent infringement may cause some opponents not to appeal against dismissal of oppositions by the Commissioner. However, an opponent may have no intention to appeal, quite apart from any estoppel issue.
15. For example, the opponent may instead want to put pressure on a patent applicant to narrow the scope of their claims, either:
  - a. voluntarily, by the patent applicant taking steps to shore up their prospects in the opposition;
  - b. as a result of negotiation with the opponent; and/or
  - c. in order to address the outcome of a successful opposition.
16. Further, an opponent may not have fixed upon a final product design, and may be using the opposition process to achieve greater certainty as to its freedom to operate, while limiting its own legal costs, and its costs exposure to the patent applicant.

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<sup>18</sup> Additionally, in that scenario, considerations such as *Anshun* estoppel and abuse of process may be in play, as illustrated by *Orikan Group Pty v Vehicle Monitoring Systems Pty Ltd* [2023] FCA 1031.

17. IP Australia will have the data enabling comparison of the proportion of opposition decisions the subject of appeals before and after the introduction of section 60(3A), and the IPC would be pleased to consider that data and discuss its implications with IP Australia.

#### *Appeals by patent applicants*

18. It is also possible that a successful opponent before the Commissioner will choose not to defend appeals brought by the patent applicant because of the concern of the Court's findings limiting the opponent's arguments in later revocation proceedings. Whether this risk will outweigh the potential benefit of preventing the patent from ever proceeding to grant will vary from case to case. Further, some opponents may decide not to contest an appeal for reasons unrelated to estoppel, such as:
  - a. the significantly higher cost of a court proceeding;
  - b. the much greater potential costs exposure if the opponent is unsuccessful in the appeal, or is partly unsuccessful; and/or
  - c. the deferral of any such expense (and risk of liability for costs) until such time as the opponent is committed to launching a product/service in respect of which they have an infringement concern.
19. Although undefended appeals in theory raise the spectre of increased scope for intervention by the Commissioner as a contradictor, the experience of members of the IP Committee is that the Commissioner often chooses not to intervene in undefended appeals.

#### *Scope of hearings before the Commissioner*

20. It is possible that opponents who do not intend to appeal will place more emphasis on the Patent Office phase of the opposition process, leading to more grounds being argued, more extensive evidence being deployed, longer hearings and higher demands on hearing officers in decision writing.
21. It is also possible that opponents who have no intention of appealing to the Federal Court will not file evidence in the Patent Office that complies with the rules of evidence and expert witness guidelines applicable in Federal Court proceedings. By way of contrast, some opponents do try to comply with the rules of evidence in case they want to use the evidence on appeal. A drop in the number of opponents prepared to appeal may reduce the frequency of this approach, which may mean that hearing officers have to deal with a lower standard of evidence. However, hearing officers are already accustomed to weighing the quality of evidence before them. Speculative, argumentative evidence or evidence based only on hearsay is inherently less persuasive than evidence of directly observed facts and opinions based on specialised knowledge by reason of an expert's study, training or experience; hearing officers routinely take these matters into account in deciding whose evidence to prefer.
22. The spectre of issue estoppel since the passage of the Raising the Bar Act is not new. The issue has been considered by IP practitioners for some time. IP Australia is best placed to observe whether there has been any significant change in the nature of Office hearings over that period.

### *Straw person oppositions*

23. IP Australia will be familiar with the practice whereby some oppositions are filed in the name of a solicitor or patent attorney to disguise the identity of the practitioner's client. This is typically done to avoid disclosing to the patent applicant the fact that the client has a commercial interest in the area the subject of the patent application.
24. The risk of issue estoppel limiting arguments on subsequent revocation proceedings might provide a further reason for using a straw person approach, so as to argue that the parties are different in the later case. However, where the practitioner is merely the agent for the client (an undisclosed principal), the subsequent court may well find that the client is bound by the earlier decision.

### *Consistency of judicial decisions*

25. Even where issue estoppel does not arise, the Federal Court will not quickly reach a different conclusion on the same question already determined by another judge of the Court, especially on questions of law (such as the proper construction of the patent). Such a departure is likely only to occur if the second judge considers that the first judge was plainly wrong. While each case depends on its particular circumstances that is a significant threshold, not lightly disregarded. In practice, questions of fact, or mixed fact and law, are more liable to different treatment where different evidence has been adduced.
26. Thus, contesting the effect of decisions made in section 60(4) appeals in subsequent proceedings is challenging, quite apart from questions of estoppel.

### **Decisions of the Commissioner of Patents**

27. For completeness, we note that there is a widespread view, reflected in some recent decisions of the Patent Office, that decisions of delegates of the Commissioner of Patents cannot give rise to issue estoppel.<sup>19</sup> As this was not the subject of IP Australia's request for comment, we have not explored this issue further here. It appears that this is the better view of the present legal position and the preferable position as a matter of policy. However, in light of some statements in the High Court made in a different context, and the fact that issue estoppels can arise from decisions of non-curial tribunals (such as courts-martial and arbitrations), a contrary view may be arguable. Please let us know if you would like the IPC to consider this further.

### **Conclusion and further contact**

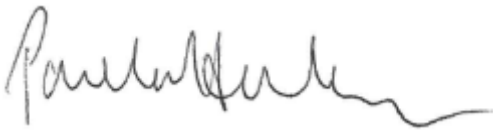
28. The introduction of section 60(3A) by the Raising the Bar Act may have increased, to some extent, the potential for the doctrine of issue estoppel to become applicable to Court decisions in pre-grant opposition appeals where a patent is challenged in subsequent proceedings between the same parties. Whether an estoppel will arise in any given case will depend on the application of the usual principles to the facts of that case.

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<sup>19</sup> CareFusion 303, Inc. [2023] APO 17 [130], Visa International Service Association [2023] APO 31 [83], Nufarm Australia Limited v Corteva Agriscience LLC [2023] APO 40.

29. The most likely practical implication of this is to reduce the number of appeals to the Federal Court by unsuccessful opponents, although there are several other factors that may influence this decision, such that the influence of the estoppel risk should not be overstated.
30. The Raising the Bar Act commenced operation over 10 years ago. IP Australia's data concerning oppositions may indicate whether any of the possible practical implications discussed above have been observed in practice. The IPC would be pleased to discuss the data with IP Australia if that would be useful.
31. The IPC would be pleased to discuss any aspect of this submission. Please contact the chair of the IPC, Richard Hoad, on 03 9101 6825 or by email to [rhoad@jonesday.com](mailto:rhoad@jonesday.com) if you would like to do so.

Yours faithfully



**Dr Pamela Hanrahan**  
**Chair**  
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