FEDERAL COURT OF AUSTRALIA

SNF (Australia) Pty Ltd v Ciba Specialty Chemicals Water Treatments Ltd [2015] FCA 787

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| Citation: | SNF (Australia) Pty Ltd v Ciba Specialty Chemicals Water Treatments Ltd [2015] FCA 787 | |
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| Parties: | **SNF (AUSTRALIA) PTY LTD (ACN 050 056 267) v CIBA SPECIALTY CHEMICALS WATER TREATMENTS LTD, CIBA (AUSTRALIA) PTY LTD (ACN 005 061 469) and THE COMMISSIONER OF PATENTS; CIBA SPECIALTY CHEMICALS WATER TREATMENTS LTD v SNF (AUSTRALIA) PTY LTD (ACN 050 056 267)** | |
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| File number: | VID 447 of 2008 | |
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| Judge: | **DAVIES J** | |
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| Date of judgment: | 3 August 2015 | |
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| Catchwords: | **PRACTICE AND PROCEDURE** – whether failure to disclose documents – scope of obligation to give discovery under O 15 r 2(3) of the *Federal Court Rules 1979* (Cth) –whether orders should be set aside on the basis of fresh evidence – relevant principles – source of the court’s power to set aside judgment where fresh evidence – *Commonwealth Bank of Australia v Quade* (1991) 178 CLR 134, *Lexcray Pty Ltd v Northern Territory of Australia* [2003] NTCA 11 and *Yevad Products Pty Ltd v Brookfield* (2005) 147 FCAFC 177 considered – where applicant did not act with reasonable diligence to obtain relevant evidence – whether applicant would have relied on fresh evidence if the documents had been discovered – finality of judgment |
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| Legislation: | *Patents Act 1990* (Cth) ss 7(1), 7(4), 7(5), 9, 18(1A), 138  *Federal Court of Australia Act 1976* (Cth) ss 5, 23  *Federal Court Rules 2011* (Cth) rr 39.05(b), 39.05(c)  *Federal Court Rules 1979* (Cth) O 5 r 15, O 15 r 2(3), O 15 r 3, O 58 r 15(1)  *Patents Regulations 1991* (Cth) reg 12.1(1) |
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| Cases cited: | *SNF (Australia) Pty Ltd v Ciba Specialty Chemicals Water Treatments Ltd* (2011) 92 IPR 46*;* [2011] FCA 452  *SNF (Australia) Pty Ltd v Ciba Specialty Chemicals Water Treatments Ltd* (2012) 204 FCR 325  *Citrus Queensland Pty Ltd v Sunstate Orchards Pty Ltd (No 2)* (2006) 155 FCR 1  *The* *Shell Petroleum Company Ltd v Commissioner of Taxation* (2005) 60 ATR 173; [2005] FCA 982  *Golden Hill Vineyard Pty Ltd v Bayer Australia Ltd* [2006] FCA 112  *Mulley v Manifold* (1959) 103 CLR 341  *Metcash Trading Limited v Bunn* (2010) 263 ALR 132  *BHP Billiton Ltd v Dunning* [2013] NSWCA 421  *Multigroup Distribution Services Pty Ltd v TNT Australia Pty Ltd* [2001] FCA 1721  *Dura-Post (Australia) Pty Ltd v Delnorth Pty Ltd* (2009) 177 FCR 239  *Embertec Pty Ltd v Energy Efficient Technologies Pty Ltd (No 3)* [2013] FCA 1010  *Spalla v St George Motor Finance (No 5)* [2004] FCA 1262  *Aon Risk Services Australia Ltd v Australian National University* (2009) 239 CLR 175  *Quenchy Crusta Sales Pty Ltd v Logi-Tech Pty Ltd* [2002] SASC 374  Compagnie Financiere et Commerciale du Pacifique v Peruvian Guano Co (1882) 11 QBD 55  *Monroe Schneider Associates (Inc) v* *No 1 Raberem Pty Ltd (No 2)* (1992) 37 FCR 234  *Commonwealth Bank of Australia v Quade* (1991) 178 CLR 134  *Computer Edge Pty Ltd v Apple Computer Inc* (1984) 54 ALR 767; [1984] HCA 47  *Hall v Lewis* (2004) 64 IPR 61; [2004] WASC 217  *Lewis v Hall* (2005) 68 IPR 89; [2005] FCAFC 25  *NZI Securities Australia Ltd v Poignand* (1994) 51 FCR 584  *Caboche v Ramsay* (1993) 119 ALR 215; [1993] FCA 611  *Graham Barclay Oysters Pty Ltd v Ryan* (2002) 211 CLR 540  *Dovuro Pty Ltd v Wilkins* (2003) 215 CLR 317  *Warramunda Village Inc v Pryde* (2002) 116 FCR 58  *Ho v Grigor* (2006) 151 FCR 236  *Magman International Pty Ltd v Westpac Banking Corporation* (1991) 32 FCR 1  *Gray v Sirtex Medical Limited* (2011) 193 FCR 1  *Old Digger Pty Ltd v Azuko Pty Ltd* (2002) 123 FCR 1  *Polyaire Pty Ltd v K-Aire Pty Ltd* *(No 4)* [2007] SASC 36  *SNF (Australia) Pty Ltd v Ciba Specialty Chemicals Water Treatments Ltd* [2011] FCA 794  *Damorgold Pty Ltd v JAI Products Pty Ltd* [2014] FCA 448  *TAG Pacific Ltd v McSweeney* (1992) 34 FCR 438  *Camberwell v Camberwell Shopping Centre Pty Ltd* [1994] VR 163  *Major Engineering Pty Ltd v Timelink Pacific Pty Ltd* [2007] VSCA 228  *Brouwer v Titan Corporation Ltd* (1997) 73 FCR 241  *Interhealth Energies Pty Ltd v Federal Commissioner of Taxation* (2012) 209 FCR 33  *DJL v The Central Authority* (2000) 201 CLR 226  *Burrell v The Queen* (2008) 238 CLR 218  *Hammercall Pty Ltd v Robertson* [2011] QCA 380  *Western Australia v Wallam* [2008] WASC 117  *Pembroke School Incorporated v Human Rights & Equal Opportunity Commission* [2002] FCA 1020  *Yevad Products Pty Ltd v Brookfield* (2005) 147 FCAFC 177  *Lexcray Pty Ltd v Northern Territory of Australia* [2003] NTCA 11  *Bailey v Marinoff* (1971) 125 CLR 529  *Gamser v The Nominal Defendant* (1976) 136 CLR 145  *Nocton v Lord Ashburton* [1914] AC 932  *Green v Wilden Pty Ltd* [2005] WASC 83  *Samfa Pty Ltd v Hilane Pty Ltd* [2011] VSC 644  *Wentworth v Rogers (No 5*) (1986) 6 NSWLR 534  *Wollongong Corporation v Cowan* (1955) 93 CLR 435  *Orr v Holmes* (1948) 76 CLR 632  *Gangemi v Osborne* [2009] VSCA 297  *McKay v Commissioner of Main Roads* [2013] WASCA 135 |
|  |  |
| Date of hearing: | 27 January to 6 February 2015, 31 March to 1 April 2015 |
|  |  |
| Place: | Melbourne |
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| Division: | GENERAL DIVISION |
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| Category: | Catchwords |
|  |  |
| Number of paragraphs: | 213 |
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| Solicitor for the Applicant: | K & L Gates |
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| Counsel for the Respondents: | Mr D Shavin QC with Mr P Creighton-Selvay |
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| Solicitor for the Respondents: | Gilbert + Tobin |
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| IN THE FEDERAL COURT OF AUSTRALIA |  |
| VICTORIA DISTRICT REGISTRY |  |
| GENERAL DIVISION | VID 447 of 2008 |

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| BETWEEN: | SNF (AUSTRALIA) PTY LTD (ACN 050 056 267)  Applicant |
| AND: | CIBA SPECIALTY CHEMICALS WATER TREATMENTS LTD  First Respondent  CIBA (AUSTRALIA) PTY LTD (ACN 005 061 469)  Second Respondent  THE COMMISSIONER OF PATENTS  Third Respondent |
| AND BETWEEN: | CIBA SPECIALTY CHEMICALS WATER TREATMENTS LTD  Cross-Claimant |
| AND: | SNF (AUSTRALIA) PTY LTD (ACN 050 056 267)  Cross-Respondent |

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| JUDGE: | DAVIES J |
| DATE OF ORDER: | 3 AUGUST 2015 |
| WHERE MADE: | MELBOURNE |

THE COURT ORDERS THAT:

1. The application filed 16 April 2014 be dismissed.

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

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| AND: | SNF (AUSTRALIA) PTY LTD (ACN 050 056 267)  Cross-Respondent |

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| JUDGE: | DAVIES J |
| DATE: | 3 AUGUST 2015 |
| PLACE: | MELBOURNE |

**REASONS FOR JUDGMENT**

# INTRODUCTION

1. Ciba Specialty Chemicals Water Treatments Ltd (**“Ciba”**) holds five innovation patents (**“the patents”**) relating to a process of secondary flocculation of mining tailings (**“the patented process”**). These proceedings were commenced by SNF (Australia) Pty Ltd (**“SNF”**) in 2008 seeking an order under s 138 of the *Patents Act 1990* (Cth) (**“the Act”**) for the revocation of the patents on the basis that the patents are invalid (**“the revocation claim”**). As the differences between the patents are immaterial, the parties agreed that patent 2006100944 (**“Patent 944”**) would serve as the exemplar and that the Court’s ruling on patent 944 would apply to the other four patents. Ciba cross-claimed alleging that SNF had infringed three of the patents by carrying out, or authorising the carrying out of, a secondary flocculation process at three mine sites (**“the infringement claim”**). A trial on liability only in respect of both claims was conducted in 2010 (**“the liability proceeding”**) and judgment was delivered in 2011. Kenny J held that the patents were valid and dismissed the claim for revocation. Kenny J also gave judgment for Ciba on its cross-claim for infringement on the admission by SNF that it had infringed three of the patents if valid: *SNF (Australia) Pty Ltd v Ciba Specialty Chemicals Water Treatments Ltd* (2011) 92 IPR 46*;* [2011] FCA 452. An appeal by SNF was dismissed by the Full Federal Court (Bennett and Finn JJ, Dowsett J dissenting) on 29 June 2012: *SNF (Australia) Pty Ltd v Ciba Specialty Chemicals Water Treatments Ltd* (2012) 204 FCR 325. On 15 March 2013, the High Court refused SNF’s application for special leave to appeal.
2. SNF has now applied to set aside the declarations and orders of Kenny J on the basis of fresh evidence that SNF claims was not available to it at the time that the trial was conducted. SNF has applied under ss 5 and 23 of the *Federal Court of Australia Act 1976* (Cth) (**“the FCA Act”**), r 39.05(b) and/or r 39.05(c) of the *Federal Court Rules 2011* (Cth) (**“the FCR”**) as the source of the Court’s power to set aside the declarations and orders of Kenny J.
3. SNF claims that the new evidence first came to its attention in 2013 in the course of other proceedings in which the parties are presently involved concerning Ciba’s patents. SNF and Ciba are also parties to opposition proceedings in the Australian Patent Office (**“the opposition proceedings”**) concerning Ciba’s related Australian standard patent application and the SNF group and Ciba are parties to related patent infringement and revocation proceedings before the Federal Court of Canada (**“the Canadian proceeding”**). The fresh evidence is said to include documents that Ciba discovered in the Canadian proceeding, but did not discover in these proceedings.
4. SNF and its legal representatives allege that following the trial judgment and orders made in this proceeding, they have become aware of:
   1. prior art acts, being the use of the “Yoganup Process” in 2000 at a mine operated by Illuka Resources Ltd (**“Illuka”**) and the use of the “Orebind Process” by Nalco Australia Pty Ltd (**“Nalco”**) from at least 1999 at a number of third party mine sites; and
   2. the secret use of the patented process by Ciba in Australia before the priority date of the patents, which is 7 May 2003 (**“the priority date”**).
5. SNF has alleged that the evidence of prior public use and secret use is revealed in documents that Ciba should have discovered, but did not discover, in this proceeding. SNF has alleged that had Ciba properly complied with its discovery obligations in this proceeding, this fresh evidence would have come to its attention. SNF originally identified 15 documents or classes of documents that it alleged Ciba had failed to discover in accordance with its discovery obligations. In final submissions, 11 documents remained the subject of dispute (**“the disputed documents”**), with the claim in respect of the other documents abandoned. SNF has not asserted that it would have relied on the disputed documents, if discovered, on the grounds of invalidity pleaded and litigated in its claim for revocation. SNF claims, however, that had Ciba discovered those documents, as it was obliged (as contended by SNF), SNF would have pleaded, and relied at trial on two further grounds of invalidity, namely:
   1. lack of novelty; and
   2. secret use.
6. It is not in controversy that Ciba did not discover the disputed documents in these proceedings. However, Ciba disputes that the disputed documents were discoverable in these proceedings and denies that it wrongly failed to make discovery of them. Additionally, Ciba contends the Court can only set aside the declarations and orders under r 39.05(b) of the FCR by showing that the declarations and orders were “obtained by fraud”. Ciba argues that SNF’s claim under r 39.05(b) must fail because, even if the documents were discoverable, the “fresh evidence” on which SNF now seeks to rely to claim that the patents are invalid was available to SNF, and could have been discovered by SNF with reasonable diligence, in the course of preparing for trial in the liability proceeding, notwithstanding that Ciba did not discover those documents. It is contended that the unavailability of that “fresh evidence” did not result from any significant failure on the part of Ciba to comply with its discovery obligations (assuming that the documents were discoverable) but from the failure of SNF to exercise reasonable diligence.

# ISSUES

1. The parties were agreed that SNF’s application raises the following issues for determination:
   1. Were the disputed documents discoverable in the liability proceeding?
   2. If yes to Question 1, what was the level, if any, of culpability of Ciba in not discovering those documents?
   3. If yes to Question 1, did SNF exercise reasonable diligence and was it likely in all the circumstances that SNF would have amended its case?
   4. What is the source of the Court’s power to make the orders sought by SNF and should that power be exercised?
2. If the answer to Questions 1 and 3 is “yes”, Ciba has made the concession (for the purposes only of this application) that there was at least a real possibility that there would have been a different outcome at the trial on the question of validity on the amended grounds (though not on the grounds pleaded).
3. For the reasons that follow, I have concluded that the answer to the first question is “no”.

# WERE THE DISPUTED DOCUMENTS DISCOVERABLE?

1. SNF contended that the disputed documents were discoverable in the liability proceeding pursuant to a general order for discovery made by Kenny J. Ciba, on the other hand, contended that the disputed documents were not relevant to any pleaded issue and were therefore not discoverable. The resolution of the competing claims thus requires consideration of the scope of the issues raised by the invalidity claims made by SNF in the liability proceeding and the legal obligations on parties making discovery.

## The legislative context

1. A patent may be revoked on the ground that it is not a patentable invention: s 138(3)(b) of the Act. Section 18(1A) relevantly provides that an invention is a patentable invention for the purposes of an innovation patent, if the invention:
2. …
3. when compared with the prior art base as it existed before the priority date of the claim:

(i) is novel; and

(ii) involves an innovative step; and

1. …; and

(d) was not secretly used in the patent area before the priority date of that claim by, or on behalf of, or with the authority of, the patentee or nominated person or the patentee’s or nominated person’s predecessor in title to the invention.

1. Section 7(1) of the Act provides that an invention “is taken to be novel” when compared with the prior art base:

… unless it is not novel in the light of any one of the following kinds of information, each of which must be considered separately:

1. prior art information (other than that mentioned in paragraph (c)) made publicly available in a single document or through doing a single act;
2. prior art information (other than that mentioned in paragraph (c)) made publicly available in 2 or more related documents, or through doing 2 or more related acts, if the relationship between the documents or acts is such that a person skilled in the relevant art would treat them as a single source of that information;
3. prior art information contained in a single specification of the kind mentioned in subparagraph (b)(ii) of the definition of ***prior art base*** in Schedule 1.
4. Section 7(4) of the Act provides that an invention “is to be taken to involve an innovative step” when compared with the prior art base:

… unless the invention would*,* to a person skilled in the relevant art, in the light of the common general knowledge as it existed (whether in or out of the patent area) before the priority date of the relevant claim, only vary from the kinds of information set out in subsection (5) in ways that make no substantial contribution to the working of the invention.

1. Section 7(5) of the Act provides that:

  For the purposes of subsection (4), the information is of the following kinds:

1. prior art information made publicly available in a single document or through doing a single act;
2. prior art information made publicly available in 2 or more related documents, or through doing 2 or more related acts, if the relationship between the documents or acts is such that a person skilled in the relevant art would treat them as a single source of that information.
3. Section 9 of the Act relevantly provides that the following acts are not to be taken to be “secret use” of an invention:
4. use for “the purpose of reasonable trial or experiment only”: s 9(a);
5. use which occurs “solely in the course of a confidential disclosure of the invention”: s 9(b); and
6. use for “any purpose other than the purpose of trade or commerce”: s 9(c).

## SNF’s pleaded grounds of invalidity

1. The grounds of invalidity pleaded and relied on by SNF at trial included lack of novelty pursuant to s 18(1A)(b)(i) of the Act due to six specifically identified documents and lack of innovative step pursuant to s 18(1A)(b)(ii) of the Act due to the same six documents and also an additional 23 documents. In February 2010, a month before trial, SNF amended its particulars to include lack of novelty and lack of innovative step due to prior use of the process the subject of the patent at four specifically identified locations, namely the Bulga Mine, the Beenup Mine, the Londonderry Sand Mine and Charters Towers.

## The fresh evidence and new claims of invalidity

1. SNF seeks to re-open the case to challenge the validity of the patents on the further grounds of:
   1. lack of novelty due to prior public use of the process the subject of the patent by Nalco and Iluka: s 18(1A)(b)(i) of the Act; and
   2. secret use of the invention by Ciba before the priority date:   
      s 18(1A)(d) of the Act.

### The fresh evidence about the Orebind Process

1. SNF claimed that it has become aware that in the period between 1999 and the priority date, Nalco, the major competitor of both Ciba and SNF, had publicly promoted and used a process named Orebind at a number of mine sites in Australia (**“the Orebind Process”**). It was claimed that Ciba had in its possession at the time it gave discovery in this proceeding, documents which referred to, and revealed, details, and the use, of the Orebind Process prior to the priority date. SNF asserted that had Ciba given proper discovery, SNF would have been alerted to, pleaded and proved at trial that the public use of the Orebind Process by Nalco and its customers disclosed all of the integers of the claimed invention and therefore rendered the claims of the patents invalid for want of novelty. SNF also claimed that at the time that Ciba made its discovery in this proceeding, it was well aware that the use of the Orebind Process had the potential to invalidate the patents.

### The fresh evidence about the Yoganup Process

1. SNF claimed that it has become aware that in 2000, Iluka and Nalco had publicly trialled a process at the Yoganup mineral sands mine in Western Australia (**“the Yoganup Process”**). SNF claimed that Ciba had in its possession at the time it gave discovery in this proceeding, documents which referred to, and revealed, details, and the use, of the Yoganup Process prior to the priority date. SNF asserted that had Ciba given proper discovery, SNF would have been alerted to, pleaded and proved at trial that the public use of the Yoganup Process disclosed all the integers of the claimed invention and therefore rendered the claims of the patents invalid for want of novelty.

### The fresh evidence about secret use

1. SNF claimed that it has become aware that Ciba had secretly used the invention prior to the priority date. In particular, that Ciba:
   1. sold tens of thousands of kilograms of Ciba’s flocculant for use in the patented process to miners at a premium to normal rates and for a profit;
   2. entered into commercial contracts for the sale of Ciba’s flocculant for use in the patented process to miners at a premium to normal rates and to profit;
   3. justified the premium on the basis that it was a licence fee or technology fee for the use of the patented process; and
   4. sold and/or leased equipment to miners for use in relation to the patented process at a profit.
2. SNF claimed that Ciba had in its possession at the time it gave discovery in this proceeding documents which referred to, and revealed, details about Ciba’s secret use and that had Ciba given proper discovery SNF would have been alerted to, pleaded and proved at trial that the secret use by Ciba of the invention would have invalidated all of the patent claims.

## The discovery order

1. On 8 August 2008, the parties attended a directions hearing before Kenny J. At that hearing, Kenny J heard submissions from the parties on the form of order for discovery. Ciba initially contended that discovery should take place by way of categories of documents rather than general discovery. Kenny J made the following order for discovery in the proceeding:

Subject to [SNF] and [Ciba] indicating to one another the proposed categories of documents for discovery, [SNF] and [Ciba] file and serve verified lists of documents on or before 19 October 2008. (**“the discovery order”**)

1. SNF proposed categories of documents which included category 4(e) (**“the Category 4(e) documents”**) as follows:

4(e) all documents and materials relating to the issue of innovative step in the proceeding, including (without limitation) test reports and experimental results, notes and other internal records relating to the development of the processes described in the Patents, prior art evaluations and the like, trade literature and other material consulted during the developmental phase.

1. On 23 October 2008, Ciba’s solicitors wrote to SNF’s solicitors advising that it was their understanding that the discovery order obliged the parties to make general discovery subject to the parties providing indicative categories of what they expected the other party to produce. Ciba’s solicitors also wrote to the Court advising that it was Ciba’s understanding, and it accepted, that it was obliged to give general discovery, including the Category 4(e) documents. On the same day, SNF’s solicitors similarly advised the Court that it was SNF’s understanding, and it accepted, that the parties were, in effect, obliged to give general discovery including the documents identified in the agreed categories of documents, subject to the orders being limited to the question of liability. Both SNF’s and Ciba’s solicitors received an email from the Court asking the parties to advise what relevant documents may be excluded if discovery was limited to the categories proposed by SNF, and what would be the difference in the scope of discovery between general discovery and the categories proposed by SNF. Ciba’s solicitors informed the Court that Ciba did not consider that if categories of discovery were ordered, as opposed to general discovery:

… this would result in a significant reduction of the scope of documents the respondents are required to discover, particularly in light of the breadth of [SNF’s] category [4](e) (research and development documents).

SNF’s solicitors informed the Court that:

[W]e do not believe there is likely to be significant difference between the documents to be discovered under an order for general discovery and an order as per the categories proposed by [SNF] …

1. On 24 October 2008, the Court ordered that the issue of liability be heard and determined separately from, and before, determining the issue of pecuniary relief. The Court also made the following further order relating to discovery:

[SNF] and [Ciba] file and serve verified lists of documents, limited to the issue of liability referred to in order 2 above, on or before 24 November 2008.

1. On 23 December 2008, Ciba served a verified list of discovered documents on SNF’s solicitors. On 24 December 2008, SNF received Ciba’s verified list and a copy of each of the non-confidential documents included in Ciba’s verified list which comprised approximately 4500 pages of documents, filling 9 large lever arch folders. On 15 January 2009, SNF received one small lever arch folder of confidential documents.

## Discovery obligations pursuant to the Federal Court Rules

1. At the time that Ciba made its discovery in the proceeding, O 15 of the *Federal Court Rules 1979* (Cth) governed the rules for discovery. Order 15 r 2(3) (as it then was) relevantly provided:

**Discovery on notice**

(3) Without limiting rule 3 … , the documents required to be disclosed are any of the following documents of which the party giving discovery is, after a reasonable search, aware at the time discovery is given:

1. documents on which the party relies; and
2. documents that adversely affect the party’s own case;
3. documents that adversely affect another party’s case; and
4. documents that support another party’s case.
5. Order 15 r 3 provided:

**Limitation of discovery on notice**

1. The Court may, before or after any party has been required under rule 1 to give discovery, order that discovery under rule 2 by any party shall not be required or shall be limited to such documents or classes of documents, or to such of the matters in question in the proceeding, as may be specified in the order.
2. The Court may make such orders under subrule (1) as are necessary to prevent unnecessary discovery.
3. These rules were introduced in 1999. SNF accepted that the effect of the 1999 amendments to O 15 r 2(3) was to limit the scope of general discovery to documents which are “directly relevant” and that the “train of inquiry” test which applied prior to the 1999 amendments did not govern Ciba’s discovery obligations: *Citrus Queensland Pty Ltd v Sunstate Orchards Pty Ltd (No 2)* (2006) 155 FCR 1 at 21; *The* *Shell Petroleum Company Ltd v Commissioner of Taxation* (2005) 60 ATR 173; [2005] FCA 982 at [14]; *Golden Hill Vineyard Pty Ltd v Bayer Australia Ltd* [2006] FCA 112 at [6]; *Metcash Trading Limited v Bunn* (2010) 263 ALR 132; [2010] FCA 8 at [13]. Whether a document is “directly relevant” must be determined by reference to the pleadings and particulars: *Mulley v Manifold* (1959) 103 CLR 341 at 345; *BHP Billiton Ltd v Dunning* [2013] NSWCA 421 at [51]; *Multigroup Distribution Services Pty Ltd v TNT Australia Pty Ltd* [2001] FCA 1721 at [57].

## SNF’s pleaded case on Ciba’s obligation to give discovery of the disputed documents

1. Paragraph 11 of SNF’s Particulars of Conduct (**“Particulars of Conduct”**) supporting this application pleaded that:

… Ciba was obliged to give general discovery of all documents that were, or had once been in its possession, power or control, relating to the issue of innovative step: including, without limitation, the following documents:

1. documents in the possession of Ciba that form part of the common general knowledge or which contained information that was indicative of matters that form part of the common general knowledge as at the Priority Date;
2. documents which related to Ciba’s development pathway (including up to the filing of the Australian application on 7 January 2004) that led to the claimed invention, including:
   * 1. test reports and experimental results, notes and other internal records relating to the development of the processes described in the Patents;
     2. prior art evaluations; and
     3. trade literature and other material consulted during the developmental phase (including up to the filing of the Australian application on 7 January 2004).

## SNF’s Submissions

1. In opening submissions, SNF claimed that the disputed documents were discoverable under O 15 r 2(3) (as it stood at the time that the order was made) and/or as part of the Category 4(e) documents that SNF claimed Ciba had agreed that it would discover to SNF (**“the alleged agreement”**). In its final written closing submissions, SNF abandoned its reliance on the alleged agreement and the breadth of the Category 4(e) documentsand accepted that the scope of the discovery order made by Kenny J was to be determined by reference to   
   O 15 r 2(3). SNF also accepted that O 15 r 2(3) limited the scope of the general discovery to documents that are “directly relevant” and that the “train of inquiry test” which applied prior to the 1999 amendments did not govern Ciba’s discovery obligations. SNF claimed that the disputed documents were directly relevant to its pleaded claim of lack of innovative step.
2. SNF’s pleaded claim of lack of innovative step was particularised in its Particulars of Grounds of Invalidity (**“Particulars of Invalidity”**) as follows:

**Lack of Innovative Step**

The invention as claimed in each claim is not a patentable invention within the meaning of s 18(1A)(b)(ii) of the Act as it does not involve an innovative step when compared with the prior art base as it existed before the Priority Date, as it would, to a person skilled in the art and in light of the common general knowledge, only vary from the kinds of information set out in s 7(5) of the Act in ways that make no substantial contribution to the working of the inventions described by the Patents.

**Particulars**

1. the common general knowledge for a person skilled in the art for this purpose includes knowledge of the following matters:

(i) The use of a solution of water soluble polymer(s) to dewater an aqueous liquid with particulate solids including water soluble polymers having an intrinsic viscosity of at least 5dL/g;

(ii) High molecular weight (and high IV) polymers were commercially available in Australia;

(iii) The flow properties of a slurry are determined by the mineralogy and water content of the slurry as well as the applied shear and polymer (or flocculant) dose;

(iv) Disposal of mining tailings (e.g. coal, iron ore, copper, gold, nickel, uranium) by pumping the tailings slurry through a conduit to the disposal area;

(v) The use of aqueous solutions of high molecular weight (high IV) polymers to fluidise suspensions of particulate material for pumping through pipelines and dewatering suspensions;

(vi) The addition of flocculant or polymer to a tailings slurry prior to, or during, pumping of the slurry to a disposal site such that the slurry thickens and/or dewaters more effectively upon standing;

(vii) Polymer-dosed tailings slurries could be deposited at a disposal site in successive layers wherein one layer is deposited over a previously deposited (thickened and/or dewatered ) layer to form a stack; and

1. the prior art base for this purpose, being the kinds of information referred to in   
   s 7(5) of the Act includes each of the documents listed in the particulars to paragraphs 5 and 6 above and the disclosures of the following documents:

[22 documents are listed, including “Slatter 3”, “Slatter 4”, “Slatter 10”, “Slatter 12”, “Slatter 13”, “Slatter 14”]

1. the applicant may give further particulars of documents and/or acts falling within the prior art base referred to in (b) above as those particulars become available.
2. Forty-one pieces of prior art in all were particularised.

### Common general knowledge

1. SNF contended that documents relevant to common general knowledge were discoverable by reason that the inquiry pursuant to s 7(4) of the Act required the Court to identify the common general knowledge as it existed in Australia before the priority date and to ask whether, in light of the common general knowledge, a person skilled in the relevant art would conclude that the claimed invention only varied from the prior art in ways that made no substantive contribution to the working of the invention. SNF submitted that this was the approach taken by Kenny J in the liability judgment at [185]-[186] where her Honour relied on evidence of prior use of secondary flocculation, and the nature of the flocculants used by those skilled in the field, to determine that part of the common general knowledge that was relevant to the determination of innovative step under s 7(4) of the Act. SNF contended that, consistent with this approach, the obligation to give discovery of documents relevant to common general knowledge was not limited to discovering documents that necessarily established common general knowledge in their own right but encompassed documents that tended, along with other evidence, to prove the matters that formed part of common general knowledge.

### Development pathway

1. SNF’s case, as pleaded and opened in this application, was that the “development pathway” documents were discoverable in respect of innovative step and/or as part of the Category 4(e) documents by reason that “documents which reveal the patentee’s development pathway bear on the extent to which the invention represents an advance over the prior art”. In closing submissions, SNF abandoned both its reliance on the Category 4(e) discovery and the claim that Ciba had been required to discover documents concerning its development pathway.

### The two key variations

1. In closing submissions, SNF advanced the further argument that the disputed documents were discoverable under O 15 r 2(3) “in so far as they relate[d] to the variation” between Ciba’s patented process and the pleaded prior art, and the contribution made by that variation to the working of the patented process. SNF contended that SNF’s pleaded case in relation to lack of innovative step particularised prior processes that only varied from the patented process in terms of: (1) the form in which the polymer was added to the tailings (aqueous solution, powder or neat emulsion); and (2) whether improved rigidification was achieved by the prior processes particularised.

### The two bases upon which Ciba was obliged to make discovery (on SNF’s case in closing)

1. SNF argued that Ciba was, accordingly, obliged to discover documents that were relevant to the two key variations: that is, the contribution that the form in which the polymer was added to the tailings made to the patented process and the indicia of improved rigidification. SNF further contended that Ciba was obliged to discover documents that contained information relevant to the common general knowledge necessary for assessing the contributions made by those variations.

## Ciba’s submissions

1. Ciba contended that there had been no breach of its discovery obligations.

### Common general knowledge

1. Ciba argued that the particular documents in question said by SNF to have been discoverable on the basis that they relate to common general knowledge were not shown by SNF to contain information that was part of common general knowledge prior to the priority date and were not required to be discovered. Ciba also argued that if the documents were shown to contain information that was part of common general knowledge prior to the priority date, such documents had “peripheral relevance at best” to a s 7(4) inquiry, as common general knowledge in the context of the inquiry under s 7(4) is “merely the ‘*background knowledge*’” of the person skilled in the art, citing in support *Dura-Post (Australia) Pty Ltd v Delnorth Pty Ltd* (2009) 177 FCR 239 at [74]-[75] (**“*Dura-Post*”**).

### Development pathway

1. There is no need to set out Ciba’s arguments as SNF abandoned reliance on this basis in closing submissions.

***The two key variations***

1. Ciba contended that SNF’s closing submissions departed from its pleaded case on Ciba’s discovery obligations under innovative step, and that SNF had reformulated its case in putting the claim that the disputed documents were discoverable on the basis that the documents were directly relevant to innovative step in so far as they related to “the two key variations between the invention claimed and the prior art particularised”. Ciba objected to SNF being permitted to reformulate its case in closing submissions, submitting that it would be fundamentally unfair if SNF was permitted to make “such a fundamental change to its case at this late stage” to argue that the disputed documents were discoverable in respect of the “key variations from the pleaded prior art” and the invention as claimed. Ciba submitted that it would be severely prejudiced by the reformulation of the case as it had prepared its case on the basis of the particulars of conduct as pleaded. Ciba argued that it was “absolutely in contest” as to whether the disputed documents disclosed matters relevant to the two key variations from the pleaded prior art and that it had been deprived of the opportunity to adduce relevant evidence on the technical content of those documents and to cross-examine on the issue. Moreover, Ciba contended, it was “quite wrong” for SNF to assert that the two key variations arose on SNF’s pleaded invalidity case. It was submitted that the assertion that the two key variations arose on SNF’s pleaded invalidity case “was simply an exercise in reconstructing the pleadings with the benefit of hindsight”.
2. Ciba also contended that even if any of the disputed documents related to the two key variations, they were not directly relevant and therefore not required by O 15 r 2(3) to be discovered because such documents would not tend “to prove an issue on the pleading” but would merely tend “to prove something that may be relevant to an issue”, namely whether an integer of the claimed invention was disclosed by the pleaded prior art.

### The umbrella argument

1. Finally, Ciba argued that none of the disputed documents were “directly relevant” to the pleaded invalidity claims by reason that SNF had not claimed, nor led any evidence to support a claim, that it would have relied on any of the disputed documents in respect of its revocation claim as pleaded.

## Has SNF reformulated its case?

1. SNF claimed that it had “always put squarely at the heart of the case that whether the [disputed] documents were discoverable depended on … what was pleaded concerning the particular pieces of prior art that were enshrined in the pleading at trial” and that “there can’t be any surprise or prejudice on [Ciba’s] part by [SNF] now saying that the [disputed] documents should have been discovered under s 7(4)”. It was submitted that the two key variations between the invention claimed and the prior art particularised: ie the form in which the polymer is added and improved rigidification as compared to settling and sedimentation – were apparent on the pleadings. In support of that contention, SNF pointed out that each version of SNF’s Particulars of Invalidity identified the “Gallagher patent” (referred to as **“Slatter 3”** in the liability judgment) (a Ciba patent) and the “Pearson patent” (referred to as **“Slatter 4”** in the liability judgment) as relevant prior art for the purposes of innovative step. A key difference between the process of the invention and the process described in Slatter 3 was said to be that Slatter 3 disclosed a process of secondary flocculation in which the polymer is added to the mining tailings in powder (particulate) form to achieve improved rigidification whereas the invention involved the addition of polymer in aqueous solution to the mining tailings to achieve improved rigidification. A key difference between the process of the invention and the process described in Slatter 4 was said to be that Slatter 4 disclosed the addition of polymer to the mining tailings in the form of a neat emulsion to achieve improved rigidification whereas the invention used polymer in aqueous solution to achieve improved rigidification. It was submitted that “any sensible objective comparison of each piece of prior art with the invention would reveal, in the case of those two things, that it was the form of the polymer”.
2. SNF also pointed out that each version of SNF’s Particulars of Invalidity also identified prior art documents known as “Slatter 10, 12 and 13”as relevant prior art for the purposes of innovative step. Slatter 10, 12 and 13 were said to disclose the addition to mining tailings of a polymer in aqueous solution. SNF’s case was that each of Slatter 10, 12 and 13 revealed improved rigidification, whereas Ciba contended that they revealed settling and sedimentation.
3. It seems fairly clear that the main differences between the items of prior art pleaded by SNF and the patent for the purposes of the comparison required by s 7(4) of the Act were, at least with respect to Slatter 3, 4, 10, 12 and 13, settling as opposed to rigidification and whether the polymer was combined with the slurry material in the form of an aqueous solution. Kenny J disposed of SNF’s lack of innovative step claim on the basis that SNF did not establish that these variations made no substantial contribution to the working of the invention. In this application, however, SNF’s pleaded case, and the case on which it opened, was not that Ciba was obliged to discover the disputed documents because they were relevant to these variations. SNF’s case, as pleaded and opened, was that the disputed documents were discoverable because they were relevant to the common general knowledge necessary for assessing the contributions made by the claimed invention and “would have assisted [SNF] at trial to establish the component parts of … the furniture of the mind” or were documents that related to Ciba’s development pathway in trialling and testing (ie the Category 4(e) documents).
4. SNF submitted that its case had not substantially changed as it “has always been about whether the [disputed documents] are documents that were relevant to the question of innovative step”. That submission cannot be accepted in such broad terms given par 11 of the Particulars of Conduct filed by SNF particularising the basis upon which it alleged that Ciba had failed in its discovery obligations (extracted at par 30 above). SNF was ordered on 3 June 2014:

… [to] provide full and complete particulars of each of the precise acts and documents (including without limiting the generality of the foregoing, each document in fact discovered by the Respondents / Cross-Claimant) which SNF alleges:

1. give rise, whether by themselves or by the act of their discovery, and whether by any implicit representation or otherwise, to any representation upon which SNF founds an assertion of estoppel said by SNF to be relevant to the Application;
2. enliven the power of the Court, pursuant to rule 39.05(b) of the *Federal Court Rules 2011* (Cth), to make the orders sought by SNF in the Application; and
3. enliven the power of the Court, pursuant to section 23 of the *Federal Court of Australia Act 1976* (Cth), to make the orders sought by SNF in the Application.
4. In compliance with the order, SNF filed its Particulars of Conduct. The Particulars of Conduct served to put Ciba on notice of the basis upon which SNF would contend that the documents were discoverable in relation to innovative step. Having regard to the particulars given, I do not accept that Ciba was on notice of the case that was put against it in closing submissions. There is a difference in the formulation of the case by SNF in the particulars that it gave and the case as presented in closing submissions. The difference is material, as SNF’s closing submissions bear out. In closing submissions SNF, for the first time, made substantive submissions on what the documents were said to reveal, and has now claimed that the documents should have been discovered because of what they revealed about matters relevant to the two key variations when the pleaded case, and opening submissions, were that the documents either demonstrated common general knowledge or development pathway.
5. In response to the pleaded case against it, Ciba had submitted in opening submissions that the documents, in so far as they demonstrated development pathway, were not required to be discovered in relation to innovative step as there is clear authority that the steps taken by an inventor do not bear on the extent to which the invention represents an innovative step, citing in particular *Dura-Post.* See also *Embertec Pty Ltd v Energy Efficient Technologies Pty Ltd (No 3)* [2013] FCA 1010. Ciba argued that this authority was a complete answer to this part of SNF’s case. In closing submissions, SNF abandoned reliance on development pathway as a category of documents that Ciba was obliged to discover in respect of innovative step and recast its argument in terms of an obligation to discover documents that related to the two key variations in issue between the items of prior art information and the invention as claimed.
6. I do not accept SNF’s assertion that there cannot be any surprise or prejudice on Ciba’s part by the case that SNF now seeks to put. Ciba approached this application on the basis that the case it had to meet was the innovative step discovery obligation as pleaded. Ciba did not approach this application on the basis that the case it had to meet was that it had failed to discover documents that related to the two variations identified.
7. It would be unfair to Ciba if SNF were now permitted to advance that basis as constituting the obligation to make discovery that was breached by Ciba in circumstances where Ciba was not put on notice of the case against it as it is now put by SNF. The very purpose of the Particulars of Conduct was to put Ciba on notice of the case that Ciba was required to meet in the presentation of its case. Those particulars went through several iterations and Ciba filed its evidence and presented its case at the hearing of this application on the basis of the case against it as pleaded in the Particulars of Conduct. The failure to plead the basis upon which SNF now relies has denied Ciba the opportunity to present such evidence as may be necessary or desirable, including technical evidence, to deal with the case as SNF put against it in closing submissions. SNF argued that there would have been no need for Ciba to adduce technical evidence as claimed by Ciba by reason that the documents in question are not documents that need to be interpreted in a technical sense, but that is contested by Ciba. Ciba has claimed that many of the documents do not reveal what SNF asserted the documents to reveal.
8. Having considered the arguments put by Ciba in response to what SNF claims to be the content of the disputed documents, I am not satisfied that Ciba would not have conducted its case differently had it been put on notice at an earlier time of the claim now advanced. There is a clear dispute between the parties about what the documents reveal and the Court does not have the benefit of considered analysis by relevant witnesses about the content of those documents by which to judge the competing positions of the parties. Given that SNF has alleged equitable fraud against Ciba, I consider that it would be fundamentally unfair to Ciba to allow SNF to rely on this new case to support its claim that Ciba breached its discovery obligations. Although SNF has not made any allegations of deliberate or intentional misconduct, it is well established that where fraud is alleged “particulars of the fraud claimed must be exactly given and the allegations established by the strict proof such a charge requires”: *Spalla v St George Motor Finance (No 5)* [2004] FCA 1262 (**“*Spalla*”**)at [60].
9. SNF should be confined to the case that Ciba came to Court to meet, as particularised in the Particulars of Conduct. Voluminous evidence and legal submissions were filed and heard prior to the reformulation of its case. The very late stage that SNF changed the basis on which it put its case on discovery and the prejudice to Ciba if that reformulation was allowed are factors which weigh heavily against SNF: *Aon Risk Services Australia Ltd v Australian National University* (2009) 239 CLR 175.

## The disputed documents

1. I turn now to the documents in question. The disputed documents fall into three categories – the Orebind documents, the Yoganup documents and the “Secret Use” documents.

## (i) The Orebind documents

1. The Orebind documents comprise disputed documents 1, 2, 3 and 4.

### Document 1

1. Document 1 is a “Mining and Mineral Processing Product Bulletin” dated “4/99” which Nalco issued for the product OREBIND 3676. The document identifies that OREBIND 3676 is a liquid process aid designed specifically for the treatment of mineral tailings. SNF contended that the document revealed that Nalco’s Orebind Process resulted in improved mineral tailings disposal, improved dewatering of tailings, improved tailings handling, a reduced area required for tailings storage, improved tailings stacking and increased water recovery. The document was provided by Ciba to Griffith Hack, its solicitors at the time, as part of the discovery exercise but was not discovered. SNF submitted that Document 1 should have been discovered by Ciba as it was “indicative of common general knowledge concerning the use of liquid polymers for mineral tailing disposal”. The written submissions stated:

It contains information known to a significant number of persons skilled in the field before the priority date concerning secondary flocculation and the use of polymer products in that process to assist in treatment of mineral tailings, including improving dewatering. Therefore it contains information that would tend, along with other evidence, to prove matters of common general knowledge.

1. It is well settled that the test for lack of innovative step under s 7(4) of the Act is whether a person skilled in the art in the light of common general knowledge would conclude that the invention only varied from the prior art in ways that made no substantial contribution to the working of the invention. The comparison is made from the perspective of the person skilled in the art in the light of common general knowledge in Australia before the priority date: *Dura-Post* at [[74]](http://www.austlii.edu.au/au/cases/cth/FCAFC/2009/81.html#para74)); *SNF (Australia) Pty Ltd v Ciba Specialty Chemicals Water Treatments Limited* (2012) 204 FCR 325 at 367. Thus, Document 1 would be relevant to SNF’s claim of lack of innovative step if it was shown to relate to the “common general knowledge of persons skilled in the art as it existed before the priority date”.
2. SNF contended that the evidence established that a number of companies, by the priority date, had been made aware of (and not under confidentiality obligations), and/or were using, the Orebind Process. The proposition was put that the Orebind Process was widely known as a result of the promotion and marketing by Nalco of the Orebind product and its use in mining operations. It was submitted that trade literature of the kind such as Document 1 was a “paradigm example” of information that is widely disseminated.
3. The proposition that the Orebind Process was “known to a significant number of persons skilled in the field before the priority date concerning secondary flocculation” was not proved in my view. The evidence established that the Orebind Process was used in certain mining operations before the priority date but that evidence, without more, was insufficient to establish that that the Orebind Process had become part of the common general knowledge of persons skilled in the art. Nor would I infer that the Orebind Process was widely known through promotional material such as Document 1. Indeed, the evidence was to the contrary of SNF’s claim that persons skilled in the field had familiarity with the Orebind Process as a process of secondary flocculation.
4. SNF’s Managing Director, Mr Schroeter, who has worked in the industry for many years and was employed by Nalco and companies associated with it between 1994 and 2002, and who was found by Kenny J to be a person skilled in the art, confirmed in cross-examination that for the entire period he was with Nalco he was involved with flocculants and was aware of the broader Nalco product range. He deposed that he did not, in 2004 or 2009, have any familiarity with the Orebind Process as a process of secondary flocculation and that “it certainly wasn’t part of the furniture of [his] mind”. Similarly the evidence of Dr Farrow, Ciba’s expert who was also found by Kenny J to be a person skilled in the art, was that he had not heard of the Orebind Process until 2014. Additionally, Dr Farrow’s evidence was that:

This brochure discloses very little to [him]. It describes nothing about the chemical composition of the polymer 3676, its physical form, its molecular weight or how it is prepared for application. There is no description or disclosure of how it is to be added to any tailings material, what the proposed process is or its objectives.

1. Also relevantly, Mr Gautum Mukherji, who had been a solicitor at K&L Gates, the solicitors for SNF, working on the preparation of the evidence for SNF’s revocation proceeding against Ciba, deposed in his evidence-in-chief that none of the 28 potential industry witnesses that he spoke to in the course of preparing SNF’s evidence mentioned Nalco’s Orebind process to him.
2. In the circumstances, Document 1 has not been shown to relate to common general knowledge before the priority date for the purposes of the s 7(4) inquiry. Furthermore, the relevance of the document at most, if any, was that it would lead SNF to a “train of inquiry” that might advance its own case or damage that of Ciba. As stated, O 15 r 2(3) limits discovery to documents that are directly relevant to an issue raised on the pleadings. A document is not directly relevant if the document merely tends to prove something that may be relevant to an issue, rather than tending to prove an issue on the pleadings: *Quenchy Crusta Sales Pty Ltd v Logi-Tech Pty Ltd* [2002] SASC 374. Documents that may lead to a train of inquiry but are not directly relevant to an issue raised on the pleadings are not required to be discovered under O 15 r 2(3). Document 1 falls into that latter category and accordingly was not required to be discovered.

### Document 2

1. Document 2 is a Ciba internal memo dated 8 September 2003 containing the minutes of a “Kenneth (Son of Zenith)” project meeting held on 2 September 2003. The document was provided by Ciba to its solicitors as part of the discovery exercise but was not discovered. In closing submissions, SNF claimed, for the first time, that Document 2 was discoverable because:

it evaluates the results of trials and testing by Ciba of different forms of polymers added to the tailings:

1. as an aqueous solution at Alcoa Kwinana which had previously been treated by the addition of flocculant in the form of dry powder reporting that “*Progress results from Alcoa's contractor (Kanga) show that the trial results are not as good as expected. Water release was fast initially, but has since slowed down. Solids are still better in the treated bay but dewatering rate is now slower than untreated. Double Zenith Dose during mixed pour in order to reach higher solids level faster*.”
2. as aqueous solution at Alcoa Pinjarra which had previously been treated by the addition of flocculant in the form of dry powder reported that: “*Trial period finished, awaiting core sample results. The mud stayed in the sand fraction and an extra 80 tonnes of mud was included in the sand so positive result anticipated*.”
3. as powder, neat emulsion and in aqueous solution at Yarraman/CRL and reported that “*Problems with dose control have been linked to the unknown levels of slimes in co-disposal streams at both Ardlethan and CRL*”.
4. trials at Yoganup using flocculant in the form of dry powder as well as flocculant in aqueous solution reported that “*When Kenneth has run, stacking / drainage has been good. Average dose 250g/t. Iluka would like to include a higher slimes proportion than has been possible for them to produce so far and hope to do this later in the trial period*.”
5. It was also submitted in closing submissions, for the first time, that the document records:

… that it was the view of employees and representatives of Ciba that:

1. one of the reasons why improved rigidification had not been achieved as expected by the use of the patented process at Alcoa Kwinana was the solids had not reached a high enough solids content quickly enough and it was hoped that by doubling the dose this could be achieved;
2. good results in terms of achieving improved rigidification had been achieved at Alcoa Pinjarra by the use of the patented process which was assessed by whether or not there had been co-immobilisation of the sand and the slimes in the slurry;
3. the varied levels of slimes in tailings makes dose control a critical issue if improved rigidification is to be consistently and effectively achieved; and
4. good results in terms of achieving improved rigidification had been achieved at Yoganup by the use of the patented process at an average dose of 250 g/t.
5. SNF contended that:

Document 2 should have been discovered by Ciba because it reveals whether the result achieved by the patented process in terms of qualities and behaviour of the treated tailings material on deposition (improved rigidification) differed in any material respect to the results achieved by the processes described in the pleaded prior art and if so how and why? In particular Document 2 contained information which indicated that it was the dose rate of the polymer, and not its form, which primarily determined whether improved rigidification was achieved.

1. Ciba contested that Document 2 reveals what SNF asserted it to reveal and, in particular, cavilled with the proposition that it revealed whether “the result achieved by the patented process… differed in any material respect to the results achieved by the processes described in the pleaded prior art”. Ciba argued that Document 2 merely reported the test and trial work undertaken by Ciba at various mines. Further it was submitted that the fact that the document might, as alleged by SNF, record the views expressed by Ciba employees, cannot render that document discoverable unless the persons who expressed those views were persons skilled in the art and those views were expressed in relation to a directly relevant issue, which had not been proven.
2. SNF’s closing contentions with respect to Document 2 departed from SNF’s pleaded basis and opening submission, namely that Document 2 was discoverable because it “contained information relating to secondary flocculation practices indicative of matters that form part of the common general knowledge” and also because it “demonstrated Ciba’s development pathway that led to the claimed invention, being a note or other internal record relating to the development of the processes described in the patents and prior art evaluation”. For the reasons earlier stated, SNF cannot at this late stage rely on this new ground to support its claim that Ciba breached its discovery obligations. As no other basis was put forward in closing submissions, SNF has not shown that this document was discoverable.
3. Given that SNF has abandoned its claim that the document was discoverable because it demonstrated Ciba’s development pathway, it is unnecessary to deal with Ciba’s argument that the document was not discoverable in any event because it post-dated the priority date.

### Document 3

1. Document 3 is a Ciba memo dated 9 September 2003 containing the minutes of an “IMT” team meeting held on 8 September 2003. This document was not provided by Ciba to its solicitors as part of the discovery process but it was discovered in the Canadian proceeding. In the closing submissions, SNF contended, for the first time, that:

Document 3 records the evaluation of those of the Ciba employees and representatives involved in the Kenneth/Son of Zenith project and/or on the IMT Team, after reviewing the results achieved by treating tailings with polymers added as powder, neat emulsion and in aqueous solution at a number of mine sites. Those trials included trials at Yarraman/CRL, Sandalwood, Ardlethan, Alcoa Kwinana; Alcoa Pinjarra, Osborne and Iluka Douglas. Those in attendance had the Monthly Project Summary Reports and the Quarterly Project Minutes. The minutes record matters that were important in order to achieve improved rigidification and how the use of polymer in aqueous solution can achieve improved rigidification as opposed to settling and sedimentation. They concluded that co-immobilisation or co-disposal of the slimes or sands or coarse and fine materials was a major benefit and important feature of improved rigidification -

and should have been discovered by Ciba because it reveals:

1. whether the addition of the polymer in aqueous solution as opposed to adding the polymer as dry powder or neat emulsion made a material contribution to the achievement of improved rigidification and if so how and why?;
2. whether the result achieved by the patented process in terms of qualities and behaviour of the treated tailings material on deposition (ie improved rigidification) differed in any material respect to the results achieved by the processes described in the pleaded prior art and if so how and why?; and
3. the co-immobilisation or co-disposal of sand and slimes was seen as an important benefit of adding the polymer in aqueous solution to increase water release and the rate of drainage from the discharged slurry which were important features of improved rigidification.
4. Ciba contested that Document 3 reveals what SNF asserted it to reveal, submitting that “the text of Document 3 bears no relation whatsoever” to SNF’s characterisation of the document.
5. SNF’s closing contentions with respect to Document 3 departed from SNF’s pleaded basis and opening submission, namely that Document 3 was discoverable because it “contained information relating to secondary flocculation practices indicative of matters that form part of the common general knowledge” and also because it “demonstrated Ciba’s development pathway that led to the claimed invention, being a note or other internal record relating to the development of the processes described in the patents and prior art evaluation”. For the reasons earlier stated, SNF cannot at this late stage rely on this new ground to support its claim that Ciba breached its discovery obligations. As no other basis was put forward in closing submissions, SNF has not shown that this document was discoverable.
6. For the sake of completeness, I do not regard the fact that a disputed document was discovered in the Canadian proceeding to have bearing upon whether it was required to be discovered by Ciba in the revocation proceeding. The patent the subject of the Canadian litigation is challenged on the quite different basis that the subject matter of the relevant patent was “obvious”: ie, it lacked an inventive step. Innovative step is not in issue in that proceeding. Furthermore, the test for discovery in Canada is the test set out in Compagnie Financiere et Commerciale du Pacifique v Peruvian Guano Co (1882) 11 QBD 55 (**“*Peruvian Guano*”**): ie Ciba in that proceeding was required to discover documents that “might fairly lead SNF to a train of inquiry”. By contrast, under O 15 r 2(3), Ciba was only obliged to discover documents which were “directly relevant” to the pleaded issues. Consequently, the fact that certain documents were produced in the Canadian proceedings where obviousness was a contested issue and Ciba was required to give *Peruvian Guano* discovery does not establish that Ciba was obliged to produce those documents in this proceeding. Document 3 in particular was produced in response to specific orders by the Canadian Federal Court during a multi-stage process involving document discovery and oral examinations of witnesses. The basis upon which the Canadian Federal Court made that order was not a basis that is relevant to a revocation proceeding in Australia where no issue of inventive step arises under s 7(2) of the Act.
7. Given that SNF has abandoned its claim that the document was discoverable because it demonstrated Ciba’s development pathway, it is unnecessary to deal with Ciba’s argument that the document was not discoverable in any event because it post-dated the priority date.

### Document 4

1. Document 4 is an email chain between Ciba employees from December 2003. The document was provided by Ciba to its solicitors as part of the discovery exercise but was not discovered. In the closing written submissions, SNF contended that Document 4 records the evaluations of a Ciba employee, Mr Phillip McColl, of the draft patent specification. The submission was made that:

After reviewing the results, (i.e, improved rigidification as opposed to settling/sedimentation) achieved by treating tailings with polymers added as powder, neat emulsion and in aqueous solution prior to the Priority Date at Yarraman/CRL his view was that it was important to the achievement of improved rigidification to have a solids content of 20%.

1. In closing submissions SNF contended for the first time that the document should have been discovered by Ciba because the document:

… reveals that the solids content of the materials being treated was important to the achievement of improved rigidification. The solids content of the materials would affect whether the result achieved by the Patented Process (by improved rigidification) in terms of the features of the treated tailings material on deposition differed in any material respect to the results achieved by the processes described in the pleaded prior art and if so how and why?

1. Ciba contested that Document 4 reveals what SNF asserts it to reveal. Ciba submitted that the comment of Mr McColl, on which SNF apparently relies to make Document 4 discoverable, is apparently a comment concerning an apparent disparity between the cited examples and claims of what appears to be a draft of the patents. It was submitted that the document does not reveal, as asserted by SNF, “whether the result achieved by the Patented Process (ie improved rigidification) … differed in any material respect to the results achieved by the processes described in the pleaded prior art”.
2. SNF’s closing contentions in respect of Document 4 departed from SNF’s pleaded basis and opening submission, namely that Document 4 was discoverable because it “contained information relating to secondary flocculation practices indicative of matters that form part of the common general knowledge” and also because it “demonstrated Ciba’s development pathway”. For the reasons earlier stated, SNF cannot at this late stage rely on this new ground to support its claim that Ciba breached its discovery obligations. As no other basis was put forward in closing submissions, SNF has not shown that this document was discoverable.
3. Given that SNF has abandoned its claim that the document was discoverable because it demonstrated Ciba’s development pathway, it is unnecessary to deal with Ciba’s argument that the document was not discoverable in any event because it post-dated the priority date.

### Documents 5 and 6

1. In closing submissions, SNF abandoned any reliance on the alleged failure of Ciba to discover Documents 5 and 6.

## (ii) Yoganup documents

1. The Yoganup documents comprise Documents 7 and 10.

### Document 7

1. Document 7 is described by SNF as “the Iluka report on the trials conducted by Iluka at Yoganup in 2000”. That document was not provided by Ciba to its solicitors. Ciba claims that it never had this document in its possession, custody or power. SNF contended that the document was once in the possession, custody or power of Ciba and even if Ciba did not retain a copy of that document, when making discovery Ciba should have included Document 7 in its list of documents as a document that it once had in its possession but no longer had and detailed the circumstances in which Document 7 was last in Ciba’s possession. SNF contended that the document should have been discovered by Ciba because:

Document 7 which details the Yoganup Process performed and the process achieved by performance of that process before the priority date should have been discovered by Ciba as it contains information concerning the use of liquid polymers in secondary flocculation and the treatment of mineral tailings that would tend, along with other evidence, to prove matters of common general knowledge.

1. SNF relied upon the evidence given by Ms Herzig and Mr Clarke to assert that Ciba must have been in possession of Document 7.
2. Ms Herzig is a metallurgist. She deposed in an affidavit that in or around mid-July 2003, she became aware of the trials of secondary dosing conducted by Iluka in the second half of 2000 using a Nalco flocculant.Shealso deposed to a belief that Iluka provided a copy of a report on these trials to Ciba, including a diagram of the process and photos of equipment set up at the site.
3. Mr Clarke, a former Iluka employee, deposed that:

The Yoganup 2000 Trial report (which included the schematic of the process and equipment set up) … was shown to representatives from Ciba around July 2003 when the issue referred to in paragraph 39 [of his affidavit] arose between Ciba and Iluka concerning Ciba’s patent.

The issue between Ciba and Iluka concerning Ciba’s patent arose in mid-2003. Broadly speaking, Ciba claimed that Iluka had breached obligations of confidentiality concerning trial work that Iluka undertook with Ciba.

1. Ciba submitted that neither the evidence of Ms Herzig or Mr Clarke should be accepted as proof that Document 7 was provided to Ciba.
2. In relation to Ms Herzig, Ciba relies on an email which she wrote dated 16 July 2004 in which she referred to a conversation with a Mr Lamperd, a Ciba representative. She wrote that:

John Lamperd mentioned this report (I think he was only shown photos) to me this morning …

1. Further, it was submitted, it was apparent from amendments that Ms Herzig sought to make to her affidavit that she does not know whether Document 7 was ever provided to Ciba. Ms Herzig’s affidavit did not match an important qualification made by her to her draft affidavit in which she stated that she believed “but cannot confirm” that Iluka provided a copy of the report to Ciba. Mr Watson, the solicitor for SNF, was cross-examined on the reason for the exclusion from the final draft of Ms Herzig’s affidavit of the qualification “but cannot confirm”. Mr Watson explained that he deleted that qualification “on the basis of I was trying to put it in admissible form”. I do not accept that explanation as satisfactory. I accept the submission for Ciba that the effect of that deletion was to convert a qualified statement of belief, inconsistent with Ms Herzig’s own email in 2004 which she had provided to Mr Watson, into an unqualified piece of evidence upon which SNF now seeks to rely to prove that Ciba had in its possession and ought to have discovered Document 7. Moreover, it is clear from the evidence given by Ms Herzig that she did not know whether a copy of Document 7 was provided to Ciba. At best, her evidence in respect to the provision of Document 7 to Ciba was based on what others had told her. The following evidence was elicited in cross-examination:

And if he had seen the trial report – was in the – was this in the context of a discussion involving lawyers concerning a dispute between Ciba and Iluka? - - - I believe that there were – there were a lot of references to the fact that there were discussions, but I believe that the documents were shown to Ciba before that, in preparation, to demonstrate to Ciba that Iluka had done this work before, and also to show Ciba that the OREBIND product sheet was dated 1999 and had been clearly used by them prior to any trials at Yarraman.

And was this something that you did, or was this something Chris Fountain or another person in Iluka did? - - - I – to the best of my recollection, it was either Nick Clarke or Chris Fountain that actually showed Ciba the reports, but I did have discussions with Steve Scammell about the OREBIND product, and also I believe I had discussions with John Lampard, where he spoke of having seen the report and that he was not happy about it.

Yes. But you weren’t physically present? - - - I believe I was physically present, talking to John Lampard and Steve Scammell, yes. I was the - - -

Yes, but not at the time the report was shown? - - - No. I wasn’t – I was not there to see it handed over, but I know how keen the Iluka employees were to prove to Ciba that this work had been done before. So if they told me they showed the reports or gave copies of the reports to Ciba, I have no reason to suspect that they didn’t.

But as far as you know, in trying to persuade Ciba of Iluka’s interests, they would have shown the report to John Lampard? - - - That’s my understanding.

Yes. You’ve got no basis for believing they handed it over, rather than showing it? - - - I don’t, apart from the fact that I was told they were given a copy of it.

Well, in the email exchange, we’ve seen the word shown, haven’t we? - - - I think that – that was in 2004, I think, that email.

Yes? - - - I believe it was 2003 where these reports were – were being – had been shown.

But there wouldn’t – yes, there wouldn’t be any need to show schematics from the report in 2004 if a copy had been given by Mr Fountain the year before, would there?

- - - You wouldn’t think so, but obviously they – perhaps said that they didn’t have a copy, and they provided it again. I’m not sure exactly what happened.

1. Ciba submitted that Mr Clarke’s evidence likewise should be treated with great caution. Mr Clarke’s affidavit was prepared by Mr Watson before taking any instructions from him. Mr Watson stated in cross-examination that he “put together a draft of what [he] believed would be the sort of matters that [Mr Clarke] could give some evidence on” and that:

My recollection of how it was prepared was he asked – in fact, I think the way it happened was Mr Schroeter spoke to him and asked me to prepare a draft of matters which we wanted to cover with him based on things which Ms Herzig had told me, plus some of the documents which Ms Herzig had looked at, as a starting point for creating his affidavit. So a draft was provided to him and then he made amendments to it.

So the first draft of his affidavit was prepared before you spoke with him?---That’s correct.

As a fact witness?---Simply as a framework based on facts which had been ascertained by that point, because that’s – was – yes, the trial has happened, this person did – that was based on, as I say, documents, matters which we had learnt about timeframes, people, events, so that we had a starting point to obtain his evidence.

…

But Mr Clarke’s affidavit – the whole affidavit is prepared without reference to any documents?---No. No. His affidavit was prepared by reference to documents which Ciba has discovered in part and from information obtained from Ms Herzig.

Does he say that in his affidavit?---I don’t think so. And the rest of it is he made amendments to it once we had a conversation with him and once we created drafts.

In fact, the way in which the evidence of Mr Clarke was developed was that you took the evidence of Ms Herzig – one fact witness – and developed a draft for an affidavit of Mr Clarke, and gave it to Mr Schroeter, a second fact witness, to discuss with Mr Clarke, a third fact witness. That’s correct, is it not?---Yes, my recollection is that after Ms Herzig suggested talking to Mr Clarke and it became evident that he might have relevant evidence, Mr Schroeter attempted to talk to him, and as I said we were under significant time pressure, and it seemed to me he had some very valuable and relevant evidence to offer, and I’m not sure whether I had made attempts to speak with him, but Mr Schroeter told me that he had had a meeting with Mr Clarke, which had been quite difficult to organise – it had taken quite a time, from – this is what Mr Schroeter told me, and they agreed to have coffee in Perth when Mr Schroeter was over there, and I was instructed – so all of my affidavits have been prepared, started absolutely from scratch, talking to them on the phone and typing as we went. I was instructed by Mr Schroeter to prepare a draft based on facts which we knew from documents, so that we could give him something to look at. And so that was the only one, and in his case we started with making modifications to information that we had obtained from documents and from Ms Herzig to give him the start of a draft.

1. It is apparent that Mr Clarke’s affidavit was based upon, and drafted by reference to, the affidavit evidence given by Ms Herzig before SNF’s solicitors had even spoken to him. Mr Clarke himself stated that when he was first shown a draft of his proposed affidavit, he read through the draft “and there is a lot of detail there that [he had] no knowledge of or [did] not recall. I presume it comes from [Ms Herzig] who obviously has far more thorough records or a better memory than I”.
2. It is also clear from the evidence given by Mr Clarke that he did not know whether Document 7 was ever provided to Ciba. He gave the following evidence in cross-examination:

Yes. And in paragraph – subparagraph E – and this is a paragraph, as we’ve seen, that has been in each of the drafts – there’s a reference there to a schematic of the process and equipment was shown to representatives of – from Ciba around July 2003. Do you have a clear recollection of that?---Well, again I have to ask you what are you asking me do I have a recollection of exactly?

Of showing the schematic and the photograph?---Well, I didn’t say I showed it to them. I said it was shown to them.

Yes?---I do have a clear recollection that it was shown to them. I don’t think it was me that did the showing.

Were you told about the showing by someone else?---By Chris Fountain, and as I say, he made a comment about John Lampard’s reaction.

Yes. Thank you?---So I know – I know that it was shown to them, but I’m not – I’m not sure that it was me. I don’t think it was myself that showed it to them.

Now, this appears to be at a time when Iluka’s lawyers had become involved. That would have been after 2003?---Yes. That would have been. However, when I say I showed some of these materials to a representative of Ciba, that would not necessarily – I guess that’s a fairly broad sentence. As I say, there was correspondence and meetings with Ciba, you know, right back – we were working with Ciba on the Yoganup trial and then we worked with them on the pilot scale trials of Douglas material at Amdel in Adelaide, we worked closely with them. So we had a lot of contact and during that time I prepared various emails detailing the – detailing the fact that we had had prior knowledge and the reason I was saying that we had prior knowledge – the Yoganup trial. So precisely which materials were shown at what time, I’m not sure, but the communications would have started way back. Back way before Iluka’s lawyers became involved.

So you don’t have a clear recollection now as to whether you showed them a schematic and photograph from the report or showed them the report or provided them with the report. All you know is that you had a number of communications where you were discussing the knowledge that Iluka had gained from Nalco; is that correct?---And when I say discussing the knowledge, it would have been discussing in quite some detail. I would not necessarily have attached the documentation, but I would have described in some detail what had happened.

1. Moreover, the evidence indicates that Ciba was not provided with a copy of the report. Mr Bellwood from Ciba was cross-examined in some detail as to whether Ciba had ever been given a copy of Document 7. His evidence was consistent with the email written by Ms Herzig in 2004 that although Ciba had been shown a copy of Document 7, it had never been provided with a copy of that document.
2. SNF submitted that the Court should infer that Ciba was given a copy of that document because no Ciba employee, apart from Mr Bellwood, gave evidence that Ciba had not been provided with a copy of that document. Furthermore, that Mr Bellwood had not made any enquiries as to whether at the time anyone else at Ciba, such as Mr Lamperd, who was involved in the resolution of the Iluka dispute, or Ciba’s lawyers, had been provided with a copy of Document 7. I do not accept that submission. The evidence of Ms Herzig and Mr Clarke fell far short of establishing on the balance of probabilities that Ciba was ever handed a copy of Document 7 or otherwise had it in its possession, custody, or power and I would not, on the strength of their evidence, make a finding that Ciba was provided with a copy of the report.
3. Furthermore, the evidence did not substantiate that the Yoganup Process formed part of common general knowledge. The evidence of Mr Schroeter, a person skilled in the art, was that he was not aware and as far as he was aware no one at SNF was aware of the Yoganup trials in 2000 until he was advised of them in or around November 2013 by his solicitors. The evidence of Dr Farrow, Ciba’s expert, was that he had not heard of the Yoganup Process until 2014. The evidence of Ms Herzig was that it was common for Illuka “to require non-disclosure agreements with people who are working on trials for Illuka to keep them confidential to Iluka” and that from her perspective the Yoganup report is still, to this day, confidential to Illuka. The evidence of Mr Clarke was that:

I mean, general practice when you’re working with reputable suppliers is to accept that it’s in everybody’s interests that information exchange is commercial in-confidence. It doesn’t – it’s not necessarily covered by any formal agreement.

The evidence in chief of Mr Mukherji was that not one of the 28 industry witnesses he spoke to for the purposes of preparing SNF’s evidence in the proceeding mentioned the Yoganup Process to him.

1. Accordingly, SNF has not established that Document 7 was discoverable.

### Documents 8 and 9

1. SNF abandoned its claim that Documents 8 and 9 were discoverable.

### Document 10

1. Document 10 was not provided by Ciba to its solicitors. Ciba contends that it was never in its possession, custody, or power. Document 10 is described by SNF as “the email that Nicholas Clarke of Illuka sent to Ciba in 2002 explaining in some detail the Yoganup Process and seeking Ciba’s interest in participation in further trials which Iluka proposed to conduct in the near future”. SNF contended that the email should have been discovered by Ciba:

As it contained information concerning flocculation processes used in the treatment of mineral tailings that would tend, along with other evidence, to prove matters of common general knowledge.

1. The only evidence concerning such an email was from Mr Clarke in the affidavit that Mr Watson had prepared for him. Mr Clarke deposed:

In late 2002 or very early in 2003, after the first pilot trials had been done on Yarraman, I sent an email to various flocculant suppliers, explaining in some detail the process that had been performed in the Yoganup trials in 2000 and seeking their interest in participation in further trials which Illuka proposed to conduct in the near future.

1. The document itself was not produced by SNF. The Court was asked to infer that the document must have been sent to Ciba by reason that Ciba was one of the major flocculant suppliers. Such an inference should not be drawn in the circumstance where Mr Clarke himself did not depose to that fact and SNF has not adduced any other evidence that anyone else sent Document 10 to Ciba.
2. Additionally, I accept the submission for Ciba that Document 10 was not discoverable in any event in respect of common general knowledge by reason that there was no evidence that the Yoganup Process or any part of Document 10 formed part of common general knowledge. All the evidence suggests that whatever it was that took place at Yoganup was confidential.

## (iii) Secret Use documents

1. The Secret Use documents comprise disputed documents 11, 12, 13, 14 and 15.

### Document 11

1. Document 11 is a Ciba internal memo dated 11 March 2003 containing the minutes of a “Zenith” project meeting held on 7 March 2003. It was provided by Ciba to its solicitors as part of the discovery exercise but was not discovered. It was, however, discovered in the Canadian proceeding. In closing submissions, SNF contended for the first time that Document 11:

… evaluates the results of trials and testing by Ciba before the priority date of different forms of polymers added to the tailings

1. as powder, neat emulsion and in aqueous solution at a mine operated by Consolidated Rutile Ltd (**“CRL”**) in Yarraman reporting that *“The CRL application is customer driven with good results and two trial periods already completed.”*
2. as neat emulsion and in aqueous solution at Sandalwood reporting that *“Sandalwood gives good rheology and drainage effects and is planned for next week” -*

and contended that Document 11 recorded that it was the view of Ciba employees and representatives involved in the Zenith/Son of Zenith project that the patented process worked acceptably whether the polymer was added in aqueous solution as dry powder or as neat emulsion. The Zenith/Son of Zenith project was a research project connected with Slatter 3.

1. SNF contended that Document 11 should have been discovered by Ciba:

… because it is directly relevant to the issue of whether the addition of the polymer in aqueous solution as opposed to adding the polymer as dry powder or neat emulsion made a material contribution to the achievement of improved rigidification, and if so how and why?

1. Ciba contested that the document reveals what SNF asserted it to reveal. Ciba contended that Document 11 does not evaluate the result of trials of powder, neat emulsion and aqueous solution at Yarraman and Sandalwood. It was noted that the document does not make any reference to the form of polymer used at Yarraman or Sandalwood or contain any reference to “improved rigidification” or any assessment as to whether the form of polymer was relevant to achieving “improved rigidification”. Ciba further submitted that it was quite unclear what was meant by the sentence “All five forms of Zenith application will be acceptable; slurried powder, powder solution, neat emulsion, diluted emulsion, liquids”, arguing that the sentence does not provide any indication of what “acceptable” means, to whom, or for what purpose.
2. SNF’s closing contentions with respect to Document 11 departed from SNF’s pleaded basis and opening submission, namely that Document 11 was discoverable because it “demonstrated Ciba’s development pathway”. For the reasons earlier stated, SNF cannot at this late stage rely on this new ground to support its claim that Ciba breached its discovery obligations. As no other basis was put forward in closing submissions, SNF has not shown that this document was discoverable.
3. Again, the fact that Ciba discovered the document in the Canadian proceeding does not mean it was discoverable in this proceeding.

### Document 12

1. Document 12 is a Ciba memo dated 6 June 2003 containing the minutes of an “IMT meeting” held on 5 June 2003. Document 12 was discovered by Ciba in the Canadian proceeding. Document 12 was not provided by Ciba to Griffith Hack for the purpose of its discovery.
2. In the closing written submissions, SNF contended that:

Document 12 records the evaluations of Ciba representatives involved in the Kenneth/Son of Zenith Project and/or on the IMT team, after reviewing the results achieved by treating tailings with polymers added as powder, neat emulsion and in aqueous solution at a number of mine sites. Those trials included trials at Yarraman/CRL, Sandalwood, Ardlethan, Alcoa Kwinana, Alcoa Pinjarra, Osborne and Illuka Douglas. Those in attendance had the Monthly Project Summary Reports and the Quarterly Project Minutes. The minutes record that they concluded that:

1. co-immobilisation or co-disposal of the slimes and sands or coarse and fine materials was a major benefit and very important if improved rigidification is to be effectively achieved; and
2. varied levels of slimes in tailings makes dose control a critical issue if improved rigidification is to be consistently and effectively achieved.
3. In closing submissions, SNF for the first time contended that Document 12 should have been discovered by Ciba because it reveals:
4. whether the addition of the polymer in aqueous solution as opposed to adding the polymer as dry powder or neat emulsion made a material contribution to the achievement of approved rigidification and if so how and why? In particular, the document contained information which indicated that based on the trials it was the dose rate of the polymer, and not its form, which primarily determined whether improved rigidification was achieved;
5. whether the result achieved by the patented process in terms of qualities and behaviour of the treated tailings material on deposition (i.e improved rigidification) differed in any material respect to the results achieved by the processes described in the pleaded prior art and if so how and why?; and
6. the co-immobilisation or co-disposal of sand and slimes was seen as an important benefit of adding the polymer in aqueous solution to increase water release and the rate of drainage from the discharge slurry which were important features of improved rigidification.
7. Ciba contested that the document reveals what SNF asserted it to reveal. Ciba argued that in the discussion of what is referred to as the “Kenneth Technology” in Document 12, there is no reference to (i) the relevance of the type of polymer, (ii) any processes described in the pleaded prior art, or (iii) whether improved rigidification has been achieved in any of the trials described. Ciba accepted that that Document 12 states that “dose/application control will be a major issue”, but submitted that this is completely irrelevant to the question of innovative step and the key variations which SNF now seeks to rely on.
8. SNF’s closing contentions in respect of Document 12 departed from SNF’s pleaded basis and opening submission, namely that Document 12 was discoverable because it “demonstrated Ciba’s development pathway”. For the reasons earlier stated, SNF cannot at this late stage rely on this new ground to support its claim that Ciba breached its discovery obligations. As no other basis was put forward in closing submissions, SNF has not shown that this document was discoverable.
9. Given that SNF has abandoned its claim that the document was discoverable because it demonstrated Ciba’s development pathway, it is unnecessary to deal with Ciba’s argument that the document was not discoverable in any event because it post-dated the priority date. Again, the fact that Ciba discovered the document in the Canadian proceeding does not mean it was discoverable in this proceeding.

### Document 13

1. Document 13 is an email chain between Ciba representatives from between 4 September 2002 and 28 November 2002. That email chain was provided by Ciba to its solicitors as part of the discovery exercise but was not discovered. It was, however, discovered in the Canadian proceeding.
2. In the closing submissions, SNF contended for the first time that Document 13 recorded that in late 2002:
3. one of the named inventors, Mr Phillip McColl, asserted to other Ciba employees that the laboratory tests conducted at CRL’s mine at Yarraman indicated that the same improved rigidification achieved using the Gallagher Process could also be achieved by adding polymer in aqueous solution at lower doses;
4. Mr Gallagher, the inventor of the Gallagher process:

(i) queried whether the benefits achieved by the Gallagher Process were achieved by adding the polymer in aqueous solution without success;

(ii) noted that Ciba’s competitors conducted trials adding polymer in aqueous solution without success;

(iii) suggested that what was achieved by Mr McColl and Mr Scammell was “standard flocculation”, that is settling and sedimentation, as opposed to improved rigidification; and

(iv) advised that what was critical to achieving improved rigidification was the co-immobilisation of the finer particles in the slurry (slimes) with the coarser particles in the slurry (sand) –

and also records the evaluation by various persons of the results of trials and testing and the evaluation of the results achieved by treating tailings with polymers added as powder, neat emulsion and in aqueous solution at Yarraman/CRL.

1. SNF contended that Document 13 should have been discovered by Ciba because it reveals:
2. whether the addition of the polymer in aqueous solution as opposed to adding the polymer as dry powder or neat emulsion made a substantial contribution to the achievement of improved rigidification and if so how and why? In particular, the document contains information which indicates that:
   * 1. improved rigidification can be achieved with all three forms of the polymer;
     2. in certain circumstances, polymer in powder form is superior to polymer in aqueous solution or neat emulsion; and
     3. polymer in powder form could make the same contribution as polymer in aqueous solution if the particle size was reduced and the mixing time adjusted.
3. the result achieved by the Patented Process (ie improved rigidification) in terms of the features of the treated tailings material on deposition differed in any material respect to the results achieved by the processes described in the pleaded prior art and if so how and why?
4. Ciba contested that the document reveals what SNF asserted it to reveal. Ciba submitted that Document 13 does not, in fact, involve any discussion of the invention claimed in the patents. Rather it is an email chain between employees at Ciba speculating about what they perceive to be a new product. Mr Lee, the solicitor for Ciba, stated in cross-examination, “at this stage, there is no process. There is no invention and this is so early a stage that we still see people talking about different forms of polymer.”
5. SNF’s closing contentions in respect of Document 13 departed from SNF’s pleaded basis and opening submission, namely that Document 13 was discoverable because it “demonstrated Ciba’s development pathway”. For the reasons earlier stated, SNF cannot at this late stage rely on this new ground to support its claim that Ciba breached its discovery obligations. As no other basis was put forward in closing submissions, SNF has not shown that this document was discoverable.
6. Furthermore, the specific part of the email chain upon which SNF sought to rely in relation to the claim of secret use was not a document that could possibly have been discoverable in respect of the pleaded claims of invalidity. Ciba would not have been required to discover that email.

### Document 14

1. Document 14 is an email chain between Ciba employees and was provided by Ciba to its solicitors as part of the discovery process. In the closing submissions, SNF contended for the first time that Document 14 recorded:

… the evaluations of Mr Bellwood, a Ciba Technical Director and a senior person with responsibilities in relation to the relevant R&D project, and Mr Dymond who was charged with the responsibility of patenting the Patented Process in relation to the results achieved by treating tailings with polymers added as powder, neat emulsion and in aqueous solution prior to the Priority Date at Yarraman/CRL and Sandalwood. Based on the trial results at Yarraman/CRL, Document 14 identifies the indicia of improved rigidification as opposed to settling or sedimentation. The key indicia are:

1. a positive stacking angle;
2. gravity drainage from the discharged slurry;
3. increased water release rates/drainage;
4. co-immobilisation or co-disposal of the slimes and sands or coarse and fine materials;
5. stacking as opposed to wash out or erosion.
6. In its closing submissions SNF submitted for the first time that Document 14 should have been discovered by Ciba because it reveals:
7. whether the addition of the polymer in aqueous solution as opposed to adding the polymer as dried powder or neat emulsion made a material contribution to improved rigidification and if so how and why?;
8. whether the result achieved by the patented process in terms of qualities and behaviour of the treated tailings material on deposition (ie improved rigidification) differed in any material respect to the results achieved by processes described in the pleaded prior art and if so how and why?;
9. the co-immobilisation or co-disposal of sand and slimes was seen as an important benefit of adding in aqueous solution to increase water release and the rate of drainage from the discharged slurry which were important features of improved rigidification.
10. Ciba contested that the document reveals what SNF asserted it to reveal. Ciba argued that as with Document 13, Document 14 records a discussion, at a very early stage, before Ciba had undertaken much of the necessary test work to arrive at the invention claimed in the patents. According to Ciba, it does not reveal anything probative about the matters claimed by SNF.
11. SNF’s closing contentions in respect of Document 14 departed from SNF’s pleaded basis and opening submission, namely that Document 14 was discoverable because it “demonstrated Ciba’s development pathway”. For the reasons earlier stated, SNF cannot at this late stage rely on this new ground to support its claim that Ciba breached its discovery obligations. As no other basis was put forward in closing submissions, SNF has not shown that this document was discoverable.

### Document 15

1. Document 15 is described by SNF as “Ciba’s January 2003 monthly project summary reports” – “Son of Zenith/Eastern Australia” and “Son of Zenith”. That document has not been produced by SNF in support of the interlocutory application and was not provided by Ciba to its solicitors. Ciba contends that there is no evidence that Document 15 exists.
2. SNF contended that the Court should infer that the reports recorded:
3. the results achieved by treating tailings with flocculants added as powder, neat emulsion and in aqueous solution at a number of mine sites including Yarraman prior to the priority date;
4. observations concerning attempts to achieve improved rigidification –

and contended that those reports should have been discovered by Ciba because they reveal:

1. whether the addition of the polymer in aqueous solution as opposed to adding the polymer as dry powder or neat emulsion made a material contribution to the achievement of improved rigidification and if so how and why?; and
2. whether the result achieved by the patented process (i.e improved rigidification) in terms of the features of the treated tailings material on deposition differed in any material respect to the results achieved by the processes described in the pleaded prior art and if so how and why?
3. SNF asserted that the Court should infer that the document exists because monthly summary reports were discovered by Ciba for each month during the period from March 2002 to January 2004 except July 2002 and January 2003. Sometimes a monthly project summary report was prepared which covered a two month period but no such bi-monthly report for the period January 2003 was discovered by Ciba. SNF contended that the inference was not rebutted by Ciba’s evidence because no witness said that enquiries were made about the existence of the document before swearing their affidavits.
4. On the other hand, when Mr Lee, the solicitor for Ciba, was cross-examined about Document 15. His evidence was that:

Now, if you go to the position where the January 2003 report would appear, equally there is no report that has been discovered for January 2003?---No but I think there’s a quite possible explanation for that one.

Yes. Is that speculation as well or do you have an independent recollection?---It’s certainly not based on independent recollection but - - -

Yes. You’ve given some evidence about this, haven’t you?---I have but there is some evidence in the material before the court which may suggest that that meeting did not happen.

Can I take you to paragraph 138B of your affidavit?---Yes.

Page 25, your Honour.

THE WITNESS: Volume 1, tab 20?

MR CAINE: Yes. Do you see in that paragraph 138 that you deal with documents that were not provided to Ciba to Griffith Hack?---Yes.

In 138B you deal with document 15 which is a reference to my client’s schedule A and its particulars?---Yes.

And you deal with the project summary reports and they’re described as Ciba’s January 2003 month project summary reports and Son of Zenith/Eastern Australia and Son of Zenith so there are two monthly trial reports for January 2003 referred to there?---Yes.

And you say that my client hasn’t reproduced those and then you say:

*To my knowledge these documents were not produced in the Canadian proceeding.*

And then you say:

*And I do not know whether they exist.*

Now, you offer no further explanation in your affidavit, do you, as to why those documents might not exist?---The reason I think they may not exist is because - - -

What is the answer to my question?---There’s nothing there that - - -

That’s right. And now you seek to proffer for the first time orally an explanation as to why you might speculate they do not exist?---Well, that’s because I hadn’t seen the evidence that suggests they don’t exist at the time I made this affidavit.

Yes. Would you like to refer to that evidence?---Yes. So there are two things – firstly, and I think this is also in evidence, the way the Canadian discovery was undertaken was that discovery there was some two years after we had discovery in Australia. The Canadian lawyers contacted me and said, “As a starting point, can you send us all the documents you started with in Australia?” so we bundled up the 77 folders and sent them to Canada. As that document wasn’t produced in Canada, I suspect that it didn’t exist. The evidence that may confirm that – it doesn’t confirm I but certainly suggests it, I think is in Mr Watson’s affidavit.

Yes?---In which there’s a monthly report for December, I think, the previous year and it suggests a date for the January meeting and it says “possible TVC”. And I am speculating, of course, but my feeling is, based on all of that, perhaps because it was January, the meeting never took place.

1. The monthly report referred to by Mr Lee was dated 9 December 2002 and is reproduced in an exhibit. At the conclusion of the monthly report, it says “Next meeting. Possible – January 6th; TBC”. It is apparent from that report that the next meeting was not confirmed, but merely a possibility. The evidence of Mr Lee was confirmed by Mr Bellwood who stated in evidence that he had, without telling anybody, undertaken his own searches for Document 15 and had been unable to find Document 15 and did not believe that Document 15 existed. In cross-examination he stated:

Right. Were you aware prior to swearing your affidavit in this application that my client had identified that there was a January 2003 – a pair of January 2003 reports, that is monthly project summary reports, that should have been, but were not, discovered by Ciba?---I’m not aware that those reports exist.

Were you – have you made any inquiries to ascertain whether those documents do exist?---I have reviewed the documentation that we have and I have reason to assume that they did not exist.

When did you undertake that review, before or after you swore your

affidavit?---After I swore the affidavit.

When?---Not precisely, but in the last two or three months.

I see. And what is it that you had located that allows you to speculate that those documents may not exist?---Like basically it goes back to the dates of the meetings. So it was our normal practice to have the IMT meeting in the first week of the month, and so it was obviously reviewing the previous month. The IMT meeting in January wasn’t held until about - - -

Sorry. I was talking about – I’ve been talking about the monthly project summary reports?---Yes, but those reports were prepared solely to support the IMT meeting.

So the meeting for – to review December would’ve normally happened the first week in January. If you look at the date on the January meetings, the meeting actually happened around 23, 24 January. Presumably it was delayed because of people being away after the Christmas holidays. I see?---As a result of that, there was no meeting held in February. The next meeting was in March, and so I believe that the monthly reports were skipped in January, because there was no corresponding meeting at the beginning of February.

Do the – so the reports in February record the fact that there was no meeting in

10 January?---I haven’t reviewed them specifically, but I don’t see any reason why it should.

Did you not think, in circumstances where my client was asserting that those reports should have been discovered, but were not, that that was something that would be significant for you to tell her Honour in this proceeding?---I’m sure, but the documentary evidence is in front of us in the report, so we can look at the summary report for February.

When you made your investigations that led you to now speculate that that report doesn’t exist, didn’t you think it would be something that you could explain to the court?---My reason for doing the investigation was I became aware that that document was under dispute when I read your submissions. That caused me to have a quick check back in my own records to see whether or not I actually had a copy of such a document. I couldn’t find such a document. I then looked at the minutes – meeting’s minutes and dates and that was sufficient for me to – sufficient explanation from my perspective that it was unlikely that those documents existed.

I see. Did you tell anyone about that?---No. I haven’t been asked about that.

1. SNF has not produced any evidence to show that Document 15 in fact exists and I would not infer that the document exists on the basis of the evidence before me, which points to the probability that the document does not exist. Furthermore, there is no evidence of its contents and SNF’s assertion about its contents is pure speculation.
2. In addition, the contention departed from SNF’s pleaded basis and opening submission, namely that Document 15 was discoverable because it “demonstrated Ciba’s development pathway”. For the reasons earlier stated, SNF cannot at this late stage rely on this new ground to support its claim that Ciba breached its discovery obligations. As no other basis was put forward in closing submissions, SNF has not shown that this document was discoverable.

# CONCLUSION

1. None of the documents have been shown to be discoverable under O 15 r 2(3) in relation to SNF’s pleaded claim in respect of lack of innovative step. In case I am wrong, I should, however, address the other questions that are raised for determination by the interlocutory application.

# THE COURT’S POWER TO SET ASIDE THE ORDERS OF KENNY J

1. SNF argued that the Court has the power to set aside the orders of Kenny J:
   1. pursuant to s 5(2) and s 23 of the FCA Act;
   2. under r 39.05(b) of the FCR on the basis that the judgment was obtained by fraud; and/or
   3. under r 39.05(c) of the FCR on the basis that it is in an interlocutory order.
2. The orders made by Kenny J on 9 June 2011 (as amended by orders made 9 August 2011) were as follows:

THE COURT DECLARES THAT:

1. Each of the claims of Innovation Patents 2006100744, 2006100944, 2007100377, 2007100834 and 2008100396 is valid.
2. Upon admission, the cross-respondent has infringed:
3. Innovation Patents 2006100944 and 2008100396 by exploiting the Patented Process at the Bulga Coal Mine, and by authorising, or joining in a common design with other persons to do such acts at the Bulga Coal Mine, without the licence or authority of the cross-claimant; and
4. Innovation Patent 2007100834 by exploiting the Patented Process at the Cowal Gold Mine, and by authorising, or joining in a common design with other persons to do such acts at the Cowal Gold Mine, without the licence or authority of the cross-claimant.
5. Upon admission that the Patented Process has been used at the Ashton Coal Mine, the cross-respondent has infringed Innovation Patents 2006100944 and 2008100396 by authorising, or joining in a common design with other persons in relation to the conduct at the Ashton Coal Mine, without the licence or authority of the cross-claimant.

THE COURT ORDERS THAT:

…

1. Pursuant to section 19 of the Patents Act 1990 (Cth) it is hereby certified that the validity of each of the claims of each of Innovation Patents 2006100744, 2006100944, 2007100377, 2007100834 and 2008100396 has been questioned in this proceeding.
2. The cross-respondent pay the cross-claimant damages (including additional damages, if any) to be assessed, or, at the election of the cross-claimant, an account be taken of the cross-respondent’s profits.
3. An enquiry, including appropriate discovery, be held to quantify the damages, or subject to the cross-claimant’s election, to take an account of profits, referred to in Order 4.

…

1. The Application, as amended, be dismissed.
2. The applicant pay:
3. the cross-claimant’s costs of the cross-claim, save as for costs associated with the allegations in relation to the Carborough Downs coal mine; and
4. in so far as the costs are not within (a) above, the first and second respondents’ costs of the application.
5. It is undoubted that r 39.05(b) of the FCR is a source of power for the Court to set aside the judgment and orders of Kenny J. In contention is whether r 39.05(c) of the FCR and/or   
   ss 5(2) and 23 of the FCA Act would also be sources of power to set aside the judgment and orders of Kenny J. Ultimately, for the reasons that follow, I doubt that anything turns on whether those other provisions would also be a source of power, if the disputed documents were discoverable. The short reason, which is elaborated on later in these reasons, is that the principles in *Monroe Schneider Associates (Inc) v* *No 1 Raberem Pty Ltd (No 2)* (1992) 37 FCR 234 at 241 **(“*Monroe Schneider*”**)and *Commonwealth Bank of Australia v Quade* (1991) 178 CLR 134 (**“*Quade*”**) would equally apply to each of the sources of power, if available. However, as the question of the source of the Court’s power took up a great deal of argument, and in case it may be necessary, I will consider it. For the reasons that follow, I have concluded that r 39.05(b) of the FCR is the only source of power for the Court to set aside the judgment and orders of Kenny J.

## The power of the Court to set aside an order pursuant to r 39.05(c)

1. Rule 39.05(c) of the FCR provides that the Court may vary or set aside a judgment or order after it has been entered if it is interlocutory. SNF contended that if the judgment was interlocutory, the power conferred by r 39.05(c) to vary or set aside judgment is enlivened. SNF contended that the orders of Kenny J were interlocutory in nature by reason that the trial before her Honour was split and, as the orders only determined the issues relating to liability, the orders did not finally dispose of the entire proceeding by reason that the usual pecuniary relief remains to be determined.
2. The test for determining whether a judgment is final, as distinct from interlocutory, is whether the judgment finally determines the rights of the parties to the proceedings: *Computer Edge Pty Ltd v Apple Computer Inc* (1984) 54 ALR 767; [1984] HCA 47 (**“*Computer Edge*”**). In that case, orders had been made by the Full Federal Court restraining the respondents from infringing copyright and from certain acts of importation. Orders were also made that if the appellants wished to pursue claims for damages, they should file and serve on the respondents notice to that effect. The High Court held that the judgment was interlocutory, not final. Gibbs CJ (with whom Murphy and Wilson J agreed) stated at [2]-[3]:

What is plain is that the judgment of that Court comprised two orders which, viewed by themselves and apart from the rest of the judgment, were final orders, and one order which was plainly interlocutory. The result of the judgment as a whole was that some of the questions in issue in the case were determined and others were not. The question then is whether a judgment of that kind is a final judgment within the meaning of s 33(4) of the *Federal Court of Australia Act* and s 35(3) of the *Judiciary Act* as they stood at the material time.

The test for determining whether a judgment is final, which has been laid down in a number of cases including *Carr v Finance Corporation of Australia Ltd (No 1)* [1981] HCA 20; 1981 147 CLR 245, is whether the judgment finally determines the rights of the parties, and the authorities have held that the Court in applying the test must have regard to the legal rather than the practical effect of the judgment. So that the question in the present case is whether the whole judgment finally determined, in the legal sense, all the rights of the parties that were at issue in these proceedings. And the answer, is plainly, that it did not, because it left undetermined the question whether any, and what, damages were payable. The conclusion that the judgment is not a final judgment is supported by a short passage from the judgment of Dixon CJ in *John Grant & Sons Limited v Trocadero Building and Investment Company Ltd* [1938] HCA 20; (1938) 60 CLR 1 at page 35 where his Honour said:

The judgment of the Supreme Court did not determine the action, for the demurrers did not affect pleas to or replications in relation to all counts of the declaration. The judgment was, therefore, interlocutory, and this appeal did not lie without leave.

SNF argued that *Computer Edge* has since been applied by the Courts to hold that judgments which consist of declarations together with orders for further quantification of pecuniary relief are interlocutory in nature. SNF referred to the following cases.

1. In *Hall v Lewis* (2004) 64 IPR 61; [2004] WASC 217, the plaintiff alleged infringement of its patent by the defendants. The defendants by way of cross-claim alleged that the patent was invalid and sought declarations to that effect. The Supreme Court of Western Australia held that the patent was valid and infringed, making orders which included declarations. The Court also ordered that an account of profits arising from the infringement be referred to a Master of the Court. The appellant in that case appealed. In *Lewis v Hall* (2005) 68 IPR 89; [2005] FCAFC 251 (**“*Lewis v Hall*”**), the Full Court held that the appellant required leave to appeal, stating that at [7]:

The judgment of the Supreme Court was an interlocutory judgment limited to questions of liability, the further rights of the parties being left for determination at a later date. See: *Computer Edge Pty Ltd v Apple Computer Inc*. (1984) 54 ALR 767

1. In an earlier decision in *NZI Securities Australia Ltd v Poignand* (1994) 51 FCR 584 (**“*Poignand*”**), the Full Federal Court held that it was necessary for the appellant in that case to obtain leave to appeal from orders that were “in truth” interlocutory. Relevantly, the orders included declarations that the appointment of a receiver and manager was initially invalid but the appointment became valid and operative as from a specified date, and an order that the applicant “have liberty to apply for a determination of the amount of any loss or damage sustained … by virtue of any action taken … in reliance upon the purported appointment”. The Court reasoned at 594 as follows:

In our opinion, in accordance with the reasoning of the High Court in *Computer Edge Pty Ltd v Apple Computer Inc* (1984) ALR 767, the orders made at first instance were for the purposes of s 24(1A) of the *Federal Court of Australia Act 1976* (Cth) interlocutory.

1. In *Caboche v Ramsay* (1993) 119 ALR 215; [1993] FCA 611 (**“*Caboche*”**), the trial judge had made declarations that the bankrupt was absolutely entitled to payment of an amount out of a superannuation fund which had vested in the trustee in bankruptcy (Order 1), gave liberty to the parties to apply to enable further declarations to be made once the amounts to which the bankrupt was absolutely entitled to payment had been precisely quantified (Order 2) and made an order that the respondents pay to the trustee in bankruptcy out of the fund that amount once ascertained (Order 3). Gummow J, with whom Ryan and Lee JJ agreed, stated at 225-226;

It was pointed out in the course of argument that, given the terms of orders (2) and (3) … and consistently with a reasoning in *Computer Edge Pty Ltd v Apple Computer Inc* (1984) 54 ALR 767, leave to appeal was necessary … leave should be granted in each matter. I should add that the applicability in this Court of *Apple Computer* has been affirmed by the Full Court on numerous occasions, most recently in *Australian Builders’ Labourers’ Federated Union of Workers – Western Australian Branch v J – Corp Pty Ltd* (1993) 114 ALR 551 at 552-553.

1. Ciba, on the other hand, relied on authority that declarations are, by definition, final and therefore, it was submitted the orders are final. The proposition that declarations are, by definition, final must be accepted: *Graham Barclay Oysters Pty Ltd v Ryan* (2002) 211 CLR 540 at [128]; *Dovuro Pty Ltd v Wilkins* (2003) 215 CLR 317 at [143]; *Warramunda Village Inc v Pryde* (2002) 116 FCR 58 at [68]; *Ho v Grigor* (2006) 151 FCR 236 at [54]; *Magman International Pty Ltd v Westpac Banking Corporation* (1991) 32 FCR 1 at 15. However the nature of declarations as final does not provide the complete answer. As the authorities make clear, where a judgment comprises orders that are final orders and orders that are interlocutory, some of the questions in issue remain to be determined. The question is whether the whole judgment finally determined, in a legal sense, the rights of the parties in issue. In the present case, the declarations were plainly final but other orders were made which were interlocutory.
2. Ciba next contended that the whole of the proceeding commenced by SNF in which the declarations were made has been finally determined. Before Kenny J, there were two proceedings heard concurrently – the revocation claim commenced by SNF and the infringement claim commenced by cross-claim by Ciba. As a cross-claim is a separate proceeding (see O 5 r 15 of the *Federal Court Rules 1979* (Cth) as it was in September 2008 when the cross-claim was filed; *Gray v Sirtex Medical Limited* (2011) 193 FCR 1 at [35]), Ciba submitted that SNF’s revocation claim was finally determined against it by the orders made by Kenny J. Kenny J made declarations that the patents were valid, certified pursuant to s 19 of the Act that the validity of each of the claims of the patents had been questioned and ordered that “the application, as amended, be dismissed”. Ciba submitted that such orders were final.
3. There is merit in the submission for Ciba that the revocation proceeding was finally determined and r 39.05(c) therefore is not the source of the Court’s power to set aside the orders of Kenny J. First, this case has strong parallels to *Old Digger Pty Ltd v Azuko Pty Ltd* (2002) 123 FCR 1 (**“*Old Digger*”**). In that case, the applicant commenced proceedings alleging infringement of two patents and the respondents cross-claimed for revocation. The initial trial was limited to questions of infringement and revocation, with issues relating to remedies, if necessary, to be determined at a later date. At first instance, the Court dismissed the respondents’ cross-claim seeking revocation of the patents and further held that the respondents had infringed the patents. The respondents appealed to the Full Court with limited success and special leave to appeal to the High Court was subsequently refused. Subsequently the respondents applied to re-open the cross-claim so that the cause of action could be further agitated. The applicant argued, amongst other things, that the judgment was interlocutory, referring to *Computer Edge*. Von Doussa J rejected the submission and held that the orders on the cross-claim were final and there was no power in the Court to set them aside. His Honour reasoned at [37]-[43] as follows:

In my opinion the judgment that has been entered on the cross-claim is a final judgment dismissing the claim for revocation.

The proceedings for revocation were brought by way of cross-claim. This procedure is permitted by s 121 of the *Patents Act*, which uses the expression “counter-claim” to describe the proceedings for revocation. This is a convenient course to allow proceedings on separate causes of action to be heard together, as the issues likely to arise in a case to which s 121 has application will, to an extent at least, be common. The proceedings brought by way of cross-claim are nonetheless proceedings in their own right, and in that respect are no different to any other cross-claim or counter-claim: see Cairns, *Australian Civil Procedure* (5th ed. 2002), 207-208. The proceedings by way of cross-claim have been finally concluded by the entry of a judgment, and the cause of action asserted by the cross-claimant in the cross-claim has merged in the judgment. The claim for revocation is at an end between the parties. The Court has no power to set aside a final judgment which has been entered: *Bailey v Marinoff* (1971) 125 CLR 529. For this reason, FCR O 35   
r 7(2)(c), which empowers the Court to set aside a judgment after it has been entered where the order is interlocutory, has no application.

Counsel for the respondents sought to persuade the Court to a contrary view by pointing out that the appeal to the Full Court was brought by leave, leave being necessary in the case of an interlocutory judgment: s 24(1A) of the *Federal Court of Australia Act 1976* (Cth). In reply, counsel for the applicant referred to *Computer Edge Pty Ltd v Apple Computer Inc* (1984) 54 ALR 767. In that case the appellant sought to appeal to the High Court against orders made in the Full Court of the Federal Court which first, restrained the appellants from infringing copyright, and secondly, restrained the appellants from certain acts of importation. Both orders were for permanent injunctions. The Full Court had then ordered that if the respondents wished to pursue claims for damages they should file and serve on the appellants notice to that effect. Other orders were made as to the taking of further evidence and as to the settling of minutes to give effect to the Court’s findings on matters arising under *Trade Practice Act* claims. Gibbs CJ, with whom Murphy and Wilson JJ agreed said (at 767):

“What is plain is that the judgment of that Court [the Full Court] comprised two orders which, viewed by themselves and apart from the rest of the judgment, were final orders, and one order which was plainly interlocutory. The result of the judgment as a whole was that some of the questions in issue in the case were determined and others were not. The question then is whether a judgment of that kind is a final judgment within the meaning of s 33(4) of the *Federal Court of Australia Act*, and s 35(3) of the *Judiciary Act* as they stood at the material time.”

Counsel for the applicant sought to rely on this passage as indicating that in a composite order of the kind in the present case, some of the individual orders can be final orders. Counsel suggested that a distinction is to be drawn between rules governing appeals, and rules governing the re-opening of those parts of a composite order that are final. It is to be noted, however, that the appeal to the High Court in *Computer Edge Pty Ltd v Apple Computer Inc* was held to be incompetent. Gibbs CJ said (at 768):

“… the question in the present case is whether the whole judgment finally determined, in a legal sense, all the rights of the parties that were at issue in these proceedings. And the answer is, plainly, that it did not, because it left undetermined the question whether any, and what, damages were payable …”

In my opinion *Computer Edge Pty Ltd v Apple Computer Inc* does not assist the applicant in the way counsel contended. Nor do I think that the case of the respondents is assisted by pointing out that the appeal to the Full Court was brought by leave.

The question is not whether some of the orders are final, but whether the judgment is final. This is clear from the reasons of Gibbs CJ. In the present case, by parity of reasoning the judgment on the applicant’s application for remedies for infringement is not a final judgment. However, in my opinion the same reasoning indicates that the judgment on the respondents’ cross-claim is a final judgment. That judgment dismissed the entire proceeding. No issue in the cross-claim is left undetermined.

In my opinion the order dismissing the cross-claim was not an order in respect of which leave to appeal was necessary. The cross-claim stood as a separate and distinct proceeding: see *National Society for the Distribution of Electricity by Secondary Generators v Gibbs* [1900] 2 Ch 280 at 287-288. Had they chosen, the respondents could have appealed as of right from the dismissal of the cross-claim, for example if they chose not to contest the finding of infringement. As it was, the respondents desired to attack the finding of infringement, and for that reason they required leave.

The respondents’ application to re-open the cross-claim is, in substance, an application to set aside the judgment on the cross-claim so that the cause of action for revocation can be further agitated. For the reasons given, I consider the Court has no power to make such an order.

In the present case, similar considerations apply. The purpose of the application to set aside the orders of Kenny J is so that SNF can challenge the validity of the innovation patents on the ground of prior use and secret use. The fact that the quantum of pecuniary relief to which Ciba is entitled on its cross-claim for infringement has not been determined does not render interlocutory in character the orders made by Kenny J in finally dismissing the revocation proceeding. That proceeding, concerning the validity of the patents, was finally determined.

1. SNF claimed that the decision of Von Doussa J in *Old Digger* was inconsistent with the decision of the Full Court in *Lewis v Hall*. SNF contended that the reasoning in *Old Digger* was fundamentally based on characterising a judgment dealing with a claim for infringement and a cross-claim for invalidity as, in fact, two separate judgments. By contrast, in *Lewis v Hall*, the Full Court consistently referred to the declarations and orders of the Western Australian Supreme Court relating to both the claim and cross-claim as “the judgment” and found that the “judgment” was interlocutory in nature. Similarly, in correcting some errors to her orders, Kenny J referred to “the judgment” delivered in the proceeding and Dodds-Streeton J, in considering whether to grant leave to appeal in this case also referred to   
   Kenny J’s reasons and orders as “the judgment”. SNF argued that to characterise it as two separate judgments instead ignores the fact that a claim for patent infringement and an allegation of invalidity are inextricably linked.
2. I do not accept that submission. First, the appeal to the Full Court in *Lewis* *v Hall* was exclusively concerned with the question of patent infringement. No appeal was lodged in respect of the judgment of the trial judge dismissing the cross-claim for invalidity. Secondly, it does not assist SNF that Kenny J subsequently referred to the reasons and orders as “the judgment”, nor that Dodds-Streeton J granted leave to appeal “the judgment”. Precisely the same submission was rejected by Von Doussa J in *Old Digger* at [40]. Similarly, in *Polyaire Pty Ltd v K-Aire Pty Ltd* *(No 4)* [2007] SASC 36 (**“*Polyaire*”**), Besanko J at [32] did not place any weight on the fact that leave to appeal had been granted because:

that was by consent and the question whether the orders, or at least some of them, were final orders appears not to have been considered.

The same can be said here as there was no argument before Dodds-Streeton J as to whether any of the orders were final or interlocutory and leave to appeal was granted with the consent of Ciba: *SNF (Australia) Pty Ltd v Ciba Specialty Chemicals Water Treatments Ltd* [2011] FCA 794 at [3]. Finally, it does not assist SNF that the claim for patent infringement and the allegation of invalidity are “inextricably linked”: see *Old Digger* at [40].

1. There is a further reason for accepting Ciba’s submission. In this case, there was an order for a split trial. In *Damorgold Pty Ltd v JAI Products Pty Ltd* [2014] FCA 448, Tracey J considered an application by a patentee for leave to appeal from the judgment following a trial on validity and infringement only. Tracey J held at [9]-[10] that:

I am not persuaded that the applicants require leave to appeal. In *TAG Pacific Limited v McSweeney* (1992) 34 FCR 438 Olney J held that, in a split trial in which questions relating to liability are ordered to be determined as preliminary questions, orders finally determining those questions are not to be treated as interlocutory: see at 444-5. A similar conclusion was reached by the majority of the Full Court of the Supreme Court of Victoria in *City of Camberwell v Camberwell Shopping Centre Pty Ltd* [1994] 1 VR 163 at 173-175. See also Cairns B, *Australian Civil Procedure* (10th ed, Lawbook Co, 2013) at 568-569. The orders made by His Honour in relation to the revocation of the patent bear the same character of finality as would have attended such orders had they been made following a trial in which questions of liability and relief had been considered in the normal manner. Left undisturbed those orders would finally determine the issues relating to the validity of the patent. They fall within the defined meaning of the word ‘judgment’ for the purposes of s 24(1) of the Act.

The principal concern of the applicants is that, in the absence of a grant of leave, the stay granted by Middleton J would cease to operate. Plainly, Middleton J considered that, if his orders were to be considered by a Full Court, they should remain inoperative pending the hearing and determination of any appeal. Lest I be wrong in my view that His Honour’s orders are not interlocutory in nature, I consider that the appropriate course is to continue the stay granted by His Honour until 21 days after the final determination of the applicants’ appeal and to direct that, should any application for leave to appeal be necessary, it be heard concurrently with the appeal by the Full Court.

In reaching that conclusion Tracey J cited and followed the earlier judgment in *TAG Pacific Ltd v McSweeney* (1992) 34 FCR 438. In that case, which also involved a split trial between liability and quantum, Olney J reviewed a line of High Court authority and concluded at 444 that:

The Court, having exercised its power to try the issue of liability before and separately from the issue of the quantum of damages, the rights “that were at issue” in the proceedings presently under review related solely to the question of liability and those rights have been finally determined as between the parties.

The same conclusion was reached by Besanko J in *Polyaire* where his Honour held at [32] that:

In a case where there is a split trial the orders which determine liability have been held to be final orders.

See also *Camberwell v Camberwell Shopping Centre Pty Ltd* [1994] VR 163 and *Major Engineering Pty Ltd v Timelink Pacific Pty Ltd* [2007] VSCA 228. *Hall v Lewis*, *Poignand* and *Caboche* are all distinguishable because in none of those cases was there a split trial.

1. Finally, SNF is not assisted by its submission on *Brouwer v Titan Corporation Ltd* (1997) 73 FCR 241. In that case, the Full Federal Court stated at 242 that:

[T]he test for determining whether a judgment is final, as distinct from interlocutory, is whether the judgment finally determines the rights of the parties to proceedings.

SNF submitted that the use of the plural form “proceedings” by the Full Federal Court “clearly contemplates a single judgment disposing of more than one proceeding”. That distinction does not, however, appear in the judgment of the Full Federal Court.

## The power of the Court pursuant to ss 5 and 23 of the Federal Court of Australia Act

1. SNF submitted that the Court has an implied power to set aside the orders pursuant to ss 5 and 23 of the FCA Act. Those sections provide as follows:

**Section 5 Creation of Court**

1. A federal court, to be known as the Federal Court of Australia, is created by this Act.
2. The Court is a superior court of record and is a court of law and equity.
3. The Court consists of a Chief Justice, and such other Judges as from time to time hold office in accordance with this Act.

**Section 23 Making of orders and issue of writs**

The Court has power, in relation to matters in which it has jurisdiction, to make orders of such kinds, including interlocutory orders, and to issue, or direct the issue of, writs of such kinds, as the Court thinks appropriate.

1. Ciba objected to SNF advancing the argument based upon s 5 of the FCA Act on the basis that it raised a new point. However, as it is purely a point of law, SNF should not be precluded from raising it: *Interhealth Energies Pty Ltd v Federal Commissioner of Taxation* (2012) 209 FCR 33 at [46].
2. In *DJL v The Central Authority* (2000) 201 CLR 226 (**“*DJL*”**), the High Court considered whether the Full Court of the Family Court had power to re-open and re-hear an appeal in which it had given judgment before a subsequent change in the law showed the decision to have been wrong. The High Court held by majority that the Family Court did not have an inherent or implied power to re-open a judgment once the orders had been entered. Gleeson CJ, Gaudron, McHugh, Gummow and Hayne JJ in a joint judgment stated at [27], [43], [45], [50]:

There is applicable to the Family Court the observations made by Starke J in *R v Bevan; Ex parte Elias and Gordon*:

“To the Constitution and the laws made under the Constitution it owes its existence and all its powers, and whatever jurisdiction is not found there either expressly or by necessary implication does not exist.”

The circumstance that a federal court exercises the judicial power of the Commonwealth is significant. The exercise of that authority has, as incidents arising by necessary implication from Ch III, the power to punish for contempt and the power to preserve the subject-matter of a pending application for special leave to appeal. However, the powers conferred upon the Family Court by statute may be exercised only within the range of jurisdiction conferred upon it by laws made by the Parliament under s 77 of the Constitution.

….

Likewise, in the present litigation, clarity of thought and the isolation of the true issues have not been encouraged by submissions expressed in general terms respecting the position in “intermediate courts of appeal”. In the case of each such court, State or federal, attention must be given to the text of the governing statutes and any express or implied powers to be seen therein. Nor is it of assistance to consider the position with respect to this Court in the exercise of its entrenched jurisdiction as a court of final appeal under s 73 of the Constitution, or with respect to the Privy Council or the House of Lords after *R v Bow Street Metropolitan Stipendiary Magistrate; Ex parte Pinochet Ugarte (No 2)*, a decision referred to by the Solicitor-General of the Commonwealth.

…

The *Family Law Act* in its text and structure provides no express conferral of the power sought to be exercised in the present case. Nor is there an inherent power by reason of the description in the statute creating the court of it as “a superior court of record”. Further, no such power is derived by necessary implication from the statutory structure, in particular from the exercise of the appellate jurisdiction conferred by Pt X of the *Family Law Act*.

…

We would answer in the negative what the Full Court sought to isolate as the important question of law or public interest as to whether the Full Court had the power to re-open its final orders after their entry. Consequently, no occasion arose for the exercise of discretion in that regard by the Full Court.

[Citations omitted.]

As the Federal Court, like the Family Court, is a court created by statute, *DJL* is authority that the power of the Federal Court to re-open and reconsider concluded proceedings must be a power conferred by statute, either expressly or by implication: see also *Burrell v The Queen* (2008) 238 CLR 218 (**“*Burrell*”**); *Hammercall Pty Ltd v Robertson* [2011] QCA 380 (**“*Hammercall*”**); *Western Australia v Wallam* [2008] WASC 117 (**“*Wallam*”**).

1. SNF argued that ss 5 and 23 of the FCA Actconfer the power as, unlike the Family Court of Australia, the Federal Court is a court of law and equity. SNF pointed to the fact that in *DJL* the High Court noted that Courts of Chancery had the power to re-open and rehear cases even after the decree had been entered and that the equitable jurisdiction of the Court of Chancery to set aside decisions, at least in circumstances where fraud is established remains in Australia. The High Court also noted, however, that it is unsettled whether this jurisdiction might be invoked to set aside judgments by reason of the availability of “fresh evidence”, citing *Monroe Schneider* at 239-240. In *Monroe Schneider*,the Full Court did not express a concluded view on whether an action could be brought to seek a fresh trial on the ground of discovery of “fresh evidence” going, not to establish fraud, but to the immediate issues at the earlier trial.
2. In *Pembroke School Incorporated v Human Rights & Equal Opportunity Commission* [2002] FCA 1020, Mansfield J considered whether the Federal Court does have the power to re-open a case completed by the judgment. His Honour, after reviewing the authorities including *Monroe Schneider*,considered that it was doubtful that the Court did have power on grounds extending beyond fraud. His Honour also expressed caution about the exercise of such a power, if it exists. His Honour stated at [27]:

Nevertheless, whether the application is based on fraud, or on the discovery of fresh evidence, or on other grounds, it will only be a rare case in fact where the interests of justice will result in the re-opening of the case. As the Full Court’s decision in *Raberem* shows, even if the motion were treated as a fresh action to set aside the judgment on the ground of fraud, there are significant hurdles to overcome before any such application would be successful.

1. SNF sought to rely on *Yevad Products Pty Ltd v Brookfield* (2005) 147 FCAFC 177 (**“*Yevad*”**) as appellate authority for the proposition that the court’s power to set aside an order entered and perfected may be enlivened where a party failed to comply with orders for discovery in circumstances where that failure could not be characterised as fraudulent or even deliberate. The claim in *Yevad* was thatthe documents not discovered were deliberately concealed by the respondent and/or its solicitors. At first instance, Lander J accepted that the respondent’s failure to make discovery in the principal proceedings was not fraudulent, nor was it deliberate but, in his Honour’s opinion, the documents which should have been discovered would have led the applicants to a train of inquiry. Lander J went on to find no want of diligence on the part of the applicants in respect to the failure of the respondent to make discovery and held there was a real possibility that if these documents had been available to the applicants at the trial of their proceedings a different result would have been obtained. Lander J set aside the judgment without considering the source of the Court’s power, absent the finding of fraud. The Full Court upheld that decision, again without consideration of the source of the Court’s power to re-open the case.
2. It is apparent that the Full Court in *Yevad* was not referred to *DJL* and the decision predates *Burrell*, *Hammercall* and *Wallam*. It also appears that the Full Court, with respect, wrongly cited *Lexcray Pty Ltd v Northern Territory of Australia* [2003] NTCA 11 (**“*Lexcray*”**) in support of the proposition that it is a matter for the exercise of discretion by the Court on a matter of practice and procedure whether to set aside judgment on the basis of fresh evidence. The Full Court cited at [85] “the approach taken by Angel ACJ (with whom Bailey J agreed)”. In fact Angel ACJ was in dissent. The majority in *Lexcray* held that the Court of Appeal did not have an implied power to re-open an appeal after it has given final judgment and the judgment has been perfected. The majority considered that they were bound by the “cornerstone judgment” of Barwick CJ in *Bailey v Marinoff* (1971) 125 CLR 529 (**“*Bailey v Marinoff*”**) in which his Honour at 530 held:

Once an order disposing of a proceeding has been perfected by being drawn up as the record of a court, that proceeding apart from any specific and relevant statutory provision is at an end in that court and is in its substance, in my opinion, beyond recall by that court. It would, in my opinion, not promote the due administration of the law or the promotion of justice for a court to have a power to reinstate a proceeding of which it has finally disposed.

The majority went on to note that *Bailey v Marinoff* was followed in *DJL* and the earlier High Court decision in *Gamser v The Nominal Defendant* (1976) 136 CLR 145. The majority stated at [30]:

Put briefly, what those two High Court authorities say is that the Court of Appeal has no power to set aside and reopen a judgment already given and entered and there was no basis upon which that Court could properly interfere with a judgment so entered. Those cases, in my opinion, state the law.

1. There is no provision in the FCA Act or the FCR which confers a power on this Court to set aside orders which have been entered apart from r 39.05 of the FCR. In light of *DJL* and more recent cases than *Yevad,* I do not accept that this Court has the implied power to set aside Kenny J’s orders.

## The power of the Court to set aside an order pursuant to r 39.05(b)

1. Order 39.05(b) can be relied upon by SNF to seek the order setting aside Kenny J’s orders. The “fraud” to be established is equitable fraud: *Monroe Schneider*. Ciba accepted that equitable fraud does not require a finding of intent to deceive and may exist where the extent of the obligation has been misconceived: *Nocton v Lord Ashburton* [1914] AC 932 at 954; *Green v Wilden Pty Ltd* [2005] WASC 83 at 115; *Samfa Pty Ltd v Hilane Pty Ltd* [2011] VSC 644 at [27]-[28]. SNF submitted that if the Court found that Ciba had failed to comply with its obligation of discovery, then that conduct would be sufficient to constitute fraud for the purposes of r 39.05(b) of the FCR.
2. In *Monroe Schneider*, the Full Court summarised the criteria for success in an action seeking to aside a judgment for fraud relevantly as follows at 238-239:
   1. the fresh evidence has been “newly discovered since the trial”;
   2. the evidence “could not have been found by the time of the trial by the exercise of reasonable diligence”;
   3. the evidence is “so material that its production at the trial would probably have affected the outcome”.

See too *Wentworth v Rogers (No 5*) (1986) 6 NSWLR 534 cited with approval in *Spalla* at [60].

1. SNF submitted that the evidence that it now seeks to rely on was “fresh” and could not have been found by the time of the trial by the exercise of reasonable diligence. That evidence was said to be “sufficiently material” given Ciba’s concession for the purposes of this application that if the documents were discoverable, there was at least a real possibility that there would have been a different outcome at the trial on the question of validity. Conversely, Ciba has contended that SNF failed to act with reasonable diligence and, prior to trial, “had ample material to pursue the allegations they now seek to re-open on, without any reference to the Disputed Documents”. Therefore, Ciba contended, even if it were obliged to discover the disputed documents, SNF has not established that the judgment and orders of Kenny J should be set aside for fraud under r 39.05(b).

## *Quade, Yevad* and other authorities

1. In case I am wrong that neither r 39.05(c) of the FCR or ss 5 and 23 of the FCA Act are available sources of power, I will also consider the circumstances in which a Court might exercise the power to set aside orders on the basis of fresh evidence.
2. The parties were not in dispute about the principles governing when a Court should exercise any available power to set aside orders on the basis of fresh evidence. The cases emphasise that the principle of finality of litigation must be given significant weight and that the power should only be exercised in exceptional circumstances. As Dixon CJ in *Wollongong Corporation v Cowan* (1955) 93 CLR 435 (**“*Wollongong Corporation*”**) stated at [12]:

If cases are put aside where a trial has miscarried through misdirection, misreception of evidence, wrongful rejection of evidence or other error and if cases of surprise, malpractice or fraud are put on one side, it is essential to give effect to the rule that the verdict, regularly obtained, must not be disturbed without some insistent demand of justice. The discovery of fresh evidence in such circumstances could rarely, if ever, be a ground for a new trial unless certain well-known conditions are fulfilled. It must be reasonably clear that if the evidence had been available at the first trial and had been adduced, an opposite result would have been produced or, if it is not reasonably clear that it would have been produced, it must have been so highly likely as to make it unreasonable to suppose the contrary. Again, reasonable diligence must have been exercised to procure the evidence which the defeated party failed to adduce at the first trial.

This passage was cited with approval by the High Court in *Quade* at 140.

1. *Quade* was a case where the unavailability of the evidence at the trial resulted from a significant failure by the successful party to comply with an order for the discovery of relevant documents in his possession or under his control. Their Honours continued at 140-141:

As the above quotation makes plain, the general rule formulated by Dixon C.J. is directed to the ordinary case where all that is involved is that relevant fresh evidence has come to the notice of the unsuccessful party after the trial. It is not directed to the case where the trial itself has miscarried “through misdirection, misreception of evidence, wrongful rejection of evidence or other error” or to a case of “surprise, malpractice or fraud”. Such cases cannot properly be seen as mere cases of “fresh evidence”. Nor can a case where the material constituting the fresh evidence was unknown to the unsuccessful party by reason of misconduct on the part of the successful party, such as an admitted failure to comply with the requirements of the trial court's order for discovery of documents. True it is that a case of failure by a party to comply fully with such an order can be distinguished from one in which the trial has miscarried by reason of error or fault on the part of the tribunal itself or a case where the verdict can be seen to have been procured by fraud or perjury. On the other hand, a case of failure to comply with a discovery order could, particularly where the failure was deliberate or remains unexplained, come within the category of “cases of malpractice”, and be a stronger case than the category of “cases of surprise”, which were both expressly exempted from the above statement of what we have referred to as the “general” rule.

1. The Court identified two categories of “fresh evidence” cases. The first category is where there was no fault by the successful party and “no reasonable diligence” upon the part of the unsuccessful party would have enabled that party to procure the evidence. In that circumstance, the general rule is that a new trial should only be ordered on the ground of fresh evidence if it is “almost certain” or “reasonably clear” that the opposite result would have been produced if the evidence had been available at the first trial: *Quade* at 142; *Orr v Holmes* (1948) 76 CLR 632 (**“*Orr v Holmes*”**). The second category is where the unavailability of the evidence at the trial resulted from some “misconduct”, such as a significant failure by the successful party to comply with an order for the discovery: *Quade* at 142. In such a case, whether judgment should be set aside should be determined by where the interests of justice lie. As the High Court in *Quade* at 142 explained:

The position is, however, different in a case such as the present where the unavailability of the evidence at the trial resulted from a significant failure by the successful party to comply with an order for the discovery of relevant documents in his possession or under his control. The application to that category of case of the general rule that a new trial should only be ordered on the ground of fresh evidence if it is “almost certain” or “reasonably clear” that the opposite result would have been produced if the evidence had been available at the first trial would, particularly where the failure was deliberate or remains unexplained, serve neither the demands of justice in the individual case nor the public interest in the administration of justice generally. In so far as the demands of justice in the individual case are concerned, it would cast upon the innocent party an unfairly onerous burden of demonstrating to virtual certainty what would have happened in the hypothetical situation which would have existed but for the other party’s misconduct. In so far as the public interest in the administration of justice generally is concerned, it would be likely to ensure to the successful party the spoils of his own default and thereby encourage, rather than to penalize, failure to comply with pre-trial orders and procedural requirements.

[Citations omitted.]

The Court found that it was neither practicable nor desirable to seek to enunciate a general rule which can be mechanically applied to determine whether a new trial should be ordered in a case where misconduct on the part of the successful party has had the result that relevant evidence in that party’s possession has remained undisclosed until after judgment.

1. In addition to making reference to general considerations relating to the administration of justice, the High Court at 143 went onto to identify three specific factors that the Court should take into account in assessing where the interests of justice may lie, namely:

(1) the degree of culpability of the successful party;

(2) any lack of diligence on the part of the unsuccessful party; and

(3) the extent of any likelihood that the result would have been different if the order had been complied with and the non-disclosed material had been made available.

1. Cases where these principles have been applied include *Yevad,* *Gangemi v Osborne* [2009] VSCA 297 and *McKay v Commissioner of Main Roads* [2013] WASCA 135.
2. SNF accepted that the principles in *Quade* would apply equally under the Court’s implied power (if there is such a power) and under r 39.05(c) (if applicable). In the present case, SNF has not advanced a case that the orders of Kenny J should be set aside merely by reason that fresh evidence has become available. However, the principles in *Quade* would apply equally to r 39.05(b) in circumstances where SNF has contended that it was unaware of the fresh evidence by reason of Ciba’s failure to comply with its discovery obligations. That is, non-compliance with the discovery obligation would itself provide the foundation for an order under r 39.05(b), where the allegation is that the unavailability of the evidence at the trial resulted from Ciba’s failure to comply with that discovery obligation. In that respect, the parties have agreed that neither party will seek to bring in aid of its case, arguments about where in the spectrum of possibilities short of virtual certainty SNF’s prospects of achieving a different result would lie. Rather, Ciba has made the concession for the purposes of this application that if it was found to have failed to comply with its discovery obligations, there was at least a real possibility that there would have been a different outcome at the trial on the question of validity had SNF amended its grounds to include the new grounds on which it proposed to rely. It is for that reason that I do not think that this case would turn on which provision, or provisions, would provide the relevant source of power for the Court to exercise, though for the reasons given, I think that the only source of power is r 39.05(b).

# THE DEGREE OF CULPABILITY on the PART OF CIBA

1. This consideration does not arise having regard to my conclusion that SNF has failed to show that any of the disputed documents were discoverable.

# DID SNF FAIL TO ACT WITH REASONABLE DILIGENCE?

1. Where an unsuccessful party seeks to have orders set aside on the basis of a failure to make discovery it is relevant for the Court, in considering whether to set aside the orders, to take into account whether there was any lack of diligence on the part of the unsuccessful party: *Quade* (1991) 178 CLR 134 at 143. The question of reasonable diligence is not confined to reviewing documents in the possession of the unsuccessful party, but extends to making reasonable enquiries regarding the evidence that might be reasonable and relevant: see, eg, *Orr v Holmes* at 644-645. Limited or inadequate enquiries will not constitute reasonable diligence: *Wollongong Corporation* at 446.
2. Ciba submitted that “it is quite plain that SNF has failed to act with reasonable diligence from the outset”. It is convenient to deal with this submission by reference to the three categories of disputed documents in issue.

## The Orebind Process

1. It was submitted for Ciba that SNF failed to act on the documents which Ciba did discover regarding the Orebind Process. Two documents in particular were identified, namely Ciba’s Discovered Documents 48 and 142.
2. Discovered Document 48 comprised an email chain within Ciba. In that email chain, a Mr Scammell reported on the test work undertaking by Ciba at Yarraman and queried:

Have Nalco done any work on this area that could potentially leave us exposed if the project succeeds?

1. The response from a Mr Adkins included that:

Within the Alumina industry, both Nalco and Cytec have previous experience at adding liquid grade polymers, or polymer solutions, to thickener underflow with the aim to thicken the mud.

1. Discovered Document 142 comprised an email chain within Ciba. In that email chain, Mr Scammell referred to a conversation he had with Ms Herzig regarding test work to be undertaken by Ciba at Yoganup and stated that:

[Ms Herzig] also mentioned … that Ed Stucken of Nalco completed some test work during the week on a product range called OREBIND. Another reason for [Ms Herzig] to be upset with the guys in WA. It appears Nalco have had this process for some time. They approached Nick Clarke requesting the opportunity to complete the test work. The feedback from Nick via [Ms Herzig] is that the reagent is cheaper than our emulsion (at $3.25/kg) but the dose rate is higher. [Ms Herzig] stressed with Nick that we have a patent application, Nick’s comments were that Nalco had been talking about these products or the process for some time.

I will talk with [Ms Herzig] in the next day or two and see what other details she has about Nalco and the OREBIND concept.

1. The discovery given by Ciba was reviewed in late 2008 and early 2009 by two solicitors employed by K&L Gates (then Middletons), SNF’s solicitors. Mr Mukherji, who with Ms Jayaweera reviewed Ciba’s discovery, identified at the time both Discovered Documents 48 and 142 as documents having potential significance. Mr Mukherji’s notes at the time recorded in respect of Discovered Document 48 that:

NALCO and Cytec have experience in adding liquid polymers to thicken mud.

and in respect of Discovered Document 142 that:

142 - refers to NALCO having a similar process for some time OREBIND.

1. Mr Mukherji did not have an independent recollection of Discovered Document 142 but accepted in cross-examination that when he went through the discovery, he had thought that the document was potentially significant. He also could not recall discussing that document with anyone else working on the matter. Importantly it appears that Mr Mukherji did not bring this document to the attention of Mr Watson, the partner in charge, or, if he did, no action was taken in respect of it. Mr Mukherji was involved in drafting the letter under cover of which Ciba’s discovery was sent to SNF and, separately, to its patent attorneys, FB Rice. That letter, which was signed off by Mr Watson, identified particular documents within Ciba’s discovery that the solicitors had identified as documents “of note” on which instructions should be obtained. Whilst the list included Discovered Document 48 as a document of note relating to Ciba’s patented process, the list did not include Discovered Document 142. Mr Mukherji’s evidence-in-chief was that he assumed that he had not specifically referred to Discovered Document 142 because, he said, the document does not reveal any details as to what the Orebind Process was, or when, or where, “if indeed” it was used before the priority date. Further, Mr Mukherji’s evidence-in-chief was that he had noted that on 22 June 2009, Mr Cigulev, a Technical Services Superintendent at Doral Mineral Sands, drew to the attention of Mr Watson and himself a search that he had undertaken for “NALCO Orebind Heap Leaching” which revealed a Nalco process used for heap leaching gold and silver ores and a reference to Nalco’s patents on that process. He stated that he believed that he did not consider this process to be relevant to the claims of the innovation patents, as he did not take the matter any further in preparation of SNF’s evidence or conduct of the litigation. Mr Mukherji also gave evidence-in-chief that had he read Disputed Documents 2, 3 and 4 in combination with Discovered Document 142, he believed they would have alerted him to the potential that Ciba’s innovation patents may have been invalid on the basis that there had been public use of a process, or processes, the same or very similar to the Ciba process prior to the priority date. In cross-examination, Mr Mukherji agreed that Ciba Discovered Document 142:

Raised the possibility, didn’t it, that this related to a process similar to the Ciba process that Nalco had had for some time that was called OREBIND.

1. Ms Jayaweera also gave evidence on behalf of SNF. Her evidence makes no reference to Ciba Discovered Document 142 and it is apparent from her file notes of her review of Ciba’s discovery that she identified Discovered Document 48 as potentially significant but not Discovered Document 142.Ms Jayaweera was not questioned on whether she discussed Discovered Document 48 with anyone but the evidence does not suggest that she did. Ms Jayaweera accepted in cross-examination that Discovered Document 142 suggested that the Nalco product and the Ciba process were competitive. Ms Jayaweera in cross-examination stated that from the best of her recollection she did not flag this document or draw it to anyone’s attention because it does not say anything about what the process actually is but qualified that she did not really have any independent recollection of why she did not. When asked whether she had been asked when reviewing the discovery particularly to look to see if there were any documents referring to activities by Nalco before the priority date she replied that she did not recall but did not think so.
2. Mr Watson had no recollection of reading either document at the time or any recollection as to whether the documents were brought to his attention. In cross-examination he accepted that Discovered Document 142 pre-dated the priority date and disclosed the use by Nalco of a product range called Orebind which had been held for some time. Mr Watson also accepted in cross-examination that the document clearly raised an issue for a line of inquiry as to whether there had been a prior use by Nalco of the Orebind product that may be relevant. In answer to the question:

This document would invite, would it not, a line of inquiry, on its face, as to whether a process called Orebind constituted a prior use?

Mr Watson answered:

I think that’s quite a reasonable proposition and at the time, I knew that Ms Golias [the patent attorney] and Mr Mukherji and Mr Schroeter had been very intently trying to talk to people at Nalco.

1. Further, the evidence was that no one from the firm went through those documents, or even the documents of note, with Mr Schroeter, nor indeed with the patent attorneys.
2. Mr Schroeter accepted that with the benefit of hindsight, SNF ought to have acted on Ciba Discovered Document 142:

Absolutely, with the benefit of hindsight, at the time when we are chasing down prior acts and there’s a guy called Ed Stuken who I had worked with for 24 years whose name is mentioned, who was the salesman for Nalco at a mine that we were using as a prior act that was a mineral sands mine, then the mention of OreBind might have peaked some interest …

That didn’t trigger, maybe I better talk to the team about this OreBind thing and see what we can find out?---With the benefit of hindsight, yes, it should have, but we are chasing Nalco for secondary flocculent applications and getting nowhere.

1. Having identified Discovered Documents 48 and 142 as documents of potential importance, the failure on the part of SNF’s solicitors to review the documents with either Mr Schroeter, or for that matter the patent attorneys, was a failure to exercise reasonable diligence. Both documents were identified in the course of reviewing Ciba’s discovery as documents that may contain some information of significance, yet the solicitors did not go through those discovered documents with the client or the patent attorneys. Had they done so, it is apparent on the evidence of both Mr Watson and Mr Schroeter that the documents would have invited a line of inquiry as to whether a process called Orebind constituted a prior use.
2. Ciba argued further that SNF failed to act on other available information regarding the Orebind Process and there is “no reason to believe that it would have acted any differently if Ciba had discovered the Orebind Documents”. This was said to be established by a number of matters. First, it was said, it was apparent that SNF had failed to act on the information supplied by Mr Cigulev. Mr Cigulev, by an email dated 22 June 2009 to Mr Watson and Mr Mukherji wrote:

Nalco–Orebind heap leaching. The system reclaims your water without any fines in it. One of Ciba patents claims [sic].

The evidence of Mr Mukherji was that because this email referred to “heap leaching” he “did not consider this process to be relevant” and so “did not take the matter any further”. Mr Watson in cross-examination agreed that he had seen this document at the time but he did not know whether he asked Mr Cigulev about Orebind and did not know whether Mr Mukherji had sent Mr Cigulev’s email to Mr Schroeter.

1. Secondly, it was said, it was apparent that if SNF’s solicitors had asked Mr Cigulev some further questions regarding the Orebind Process at the time he emailed them, he would have been able to provide additional information. Ciba referred to a file note dated 9 September 2013 recording a conversation between Mr Watson, Mr Dunlop (a solicitor employed by K&L Gates) and Mr Cigulev in the following terms:

NALCO-Orebind- exactly what’s done in the patent. They call it a “percolation” aid. It’s all about getting clean water back and you wish it didn’t rigidify. I thought the whole patent was about adding sand and clay together.

It was submitted that it was clear, given the date of this file note, that Mr Cigulev was able to provide this information without reviewing any of the disputed documents and before SNF received any of the documents discovered by Ciba in Canada, when SNF’s solicitors finally discussed the Orebind Process with him, years after his original email. Ciba also referred to another email sent on 10 September 2013 from Mr Cigulev to Mr Watson in which Mr Cigulev confirmed that he had known about the Orebind Process for a long time:

I have watched the orebind video and the very last bit shows “rigidification”. These guys are thumbing their noses at those Ciba guys and their patent. I have been aware of orebind being around for a long time. It was used as a percolation aid for gold heap leaching. Ask [Mr Schroeter]. As you can see flocc rigidifies the material … you can’t stop it.

1. Thirdly, Mr Cigulev’s long-time knowledge of the Orebind Process was said to be confirmed by an email chain (exhibit R23). As that email chain is subject to a confidentiality order, I do not set out the contents but state that it is apparent from that email chain that there is some substance in this submission.
2. Fourthly, it was submitted, it was clear that if SNF’s solicitors had made some enquiries with Mr Schroeter in 2009, they could have obtained the evidence upon which SNF now seeks to rely. So much was said to be apparent from an email exchange between SNF’s solicitors and Mr Schroeter in September 2013. By email dated 11 September 2013, Mr Dunlop emailed Mr Schroeter that:

[Mr Cigulev] said that Nalco has had its Orebind product/process around for a long time. The video certainly makes it obvious that it is the same as the patented process. Are you aware of when Nalco introduced this process and do you still know anyone who worked at Nalco or do you have any sources which might help ascertain whether Nalco had undertaken or trialled this process prior to May 2003?

1. Less than three hours later, Mr Schroeter responded by email that:

Use of Orebind predates the priority dates significantly and there is a case study that was done in around 2000. I have attached a copy. I have also made some attempts to contact the people named in the case history without success.

1. It was said that within a matter of weeks of being contacted regarding the Orebind Process, Mr Schroeter was then able to obtain further information regarding the use of the Orebind Process at Boral Stapylton. This was said to be unsurprising given that Mr Schroeter was formally employed by Nalco and companies associated with it for over 20 years. It was submitted that accordingly “it is quite clear” that if SNF’s solicitors had asked Mr Schroeter about the Orebind Process upon being alerted to it in 2009, they or Mr Schroeter could have readily obtained further information.
2. In response, SNF argued that Mr Schroeter’s oral evidence was that he understood through his previous employment at Nalco that the Orebind brand name was used as a process for heap leaching and this was the case at the time Mr Schroeter reviewed Ciba’s discovered documents in early 2009 and he had “no familiarity with Orebind as a secondary flocculation tool” at that time. Mr Watson’s evidence in cross-examination was that the solicitors understood from Mr Cigulev’s email that Orebind was a gold heap leaching process, and so did not make any further enquiries concerning Orebind at that time.
3. The evidence given by each of Mr Watson, Mr Schroeter and Mr Mukherji was to the effect that the reason why SNF did not pursue further investigations regarding the Orebind Process prior to trial was because they each thought that the Orebind Process concerned gold or heap leaching, not secondary flocculation. Nonetheless, SNF failed to act on the information supplied by Mr Cigulev. Critically and tellingly, instructions were not sought from SNF on the content of Mr Cigulev’s email, nor was the matter taken up with Mr Cigulev. The evidence suggested that had they done so, they would have been able to obtain further information from Mr Cigulev concerning the Orebind Process as Mr Cigulev himself had that knowledge, or at least some knowledge, of the Orebind Process back in 2009. A failure on the part of SNF’s lawyers to follow up Mr Cigulev’s email with either Mr Schroeter or Mr Cigulev constituted a failure to act with reasonable diligence. The evidence indicated that had such enquiries been made, the solicitors would have been alerted to the use of the Orebind Process by Nalco and the possibility that the process may be relevant to SNF’s revocation claim. Critically and tellingly, both Mr Schroeter and Mr Mukherji accepted in cross-examination that Discovered Documents 48 and 142 indicated that the Orebind Process was not concerned with either gold mining or leach operations.
4. SNF contended that reasonable and diligent enquiries were made directed to ascertaining information which may have been relevant to SNF’s challenge to the validity of the patents. Mr Watson deposed that he believed that one of the reasons why relevant information about the Orebind Process was not able to be obtained prior to trial included that Ciba had entered into a confidentiality agreement with Nalco which prevented Nalco and employees (past and present) from talking to SNF and its representatives about the Orebind Process. That evidence cannot be accepted as other evidence established that there was no such agreement and moreover, that Mr Watson, at the time of swearing his affidavit, did not know of his own knowledge that there was such an agreement. It does appear from the evidence that unsuccessful attempts were made to obtain evidence from Nalco. However, this does not provide a complete answer to Ciba’s claim of lack of reasonable diligence on the part of SNF’s solicitors in obtaining information at the time about the Orebind Process, given the failure to act on documents that Ciba did discover (ie Discovered Documents 48 and 142).
5. Ciba further submitted that it was apparent from the evidence filed by SNF, both in the application in this proceeding and in the opposition proceedings, that SNF was able to prepare detailed evidence in relation to the Orebind Process without reference to any of the Orebind documents. It was submitted that if SNF had exercised any reasonable diligence, then SNF could have made a similar allegation in 2009, without access to any of the disputed Orebind documents. There is in my view a great deal of speculation and conjecture in that submission, made with the benefit of hindsight and knowledge of events that actually transpired. It is, in any event, unnecessary to make such a finding in the circumstance where I am satisfied that SNF failed to exercise reasonable diligence by following up inquiries that could have been undertaken concerning the Orebind Process as the consequence of the information disclosed in the documents that were discovered.

## Yoganup Process

1. The question of reasonable diligence in relation to obtaining evidence from other sources about the Yoganup Process does not arise because SNF has failed to establish that the Yoganup documents in fact existed, let alone were ever in Ciba’s possession, custody or power.

## Secret Use

1. Although both parties gave detailed submissions on this matter, the position can be reasonably shortly stated.
2. First, the evidence was that Mr Schroeter, the managing director of SNF, who had been the person at SNF primarily responsible for providing instructions to SNF’s lawyers and patent attorneys during the conduct of the proceeding, was not given advice regarding the claims that could have been advanced by SNF in this proceeding. Specifically, Mr Watson accepted in cross-examination that prior to the trial of the proceeding, he did not advise Mr Schroeter as to the factual elements that were necessary to establish secret use to ascertain if he was aware of the potential sources of evidence to establish secret use.
3. Secondly, Mr Schroeter’s evidence was that it was not until May 2013 that he was advised that a “commercial use of the process” by Ciba before the priority date of the patents which was “carried out under a secrecy agreement” might invalidate the patents. His evidence was that he had not been aware of that fact until that point.
4. Thirdly, Mr Schroeter’s evidence in this application was that in or about late 2003, he was aware that Ciba had undertaken test work of secondary dosing at the Yarraman mine on North Stradbroke Island with CRL. This test work is now identified by SNF in its Second Further Amended Particulars of Ciba’s Conduct as the first instance of secret use relied upon in support of the interlocutory application.
5. Mr Schroeter’s evidence was that he did not discuss Ciba’s test work at the Yarraman mine with his solicitors because he was not advised that secret use was a ground of invalidity under the Act. For the same reason, Mr Shroeter did not look for any documents that might be relevant to secret use when reviewing the discovery given by Ciba. It was only in May 2013, once Mr Schroeter was advised about the law relating to secret use, that he suggested to SNF’s lawyers that the patent attorneys should investigate whether Ciba provided at no cost or sold the flocculant to CRL for the test work of secondary dosing processes at the Yarraman mine and at various Iluka mines prior to the priority date.
6. In cross-examination, Mr Watson accepted that if SNF’s solicitors had explained the meaning of secret use to Mr Shroeter prior to trial it was “quite possible” that SNF would have been led on a train of inquiry that revealed what SNF now contends to be secret use. Mr Watson gave the following evidence:

The way you got to Ms Herzig was by having a discussion with your client and explaining to your client what was the meaning of secret use?---We’re going to go back over a lot of old ground, but in May 2013, in the context of preparing evidence for the parent patent opposition, in a meeting with counsel, with Mr Schroeder, the question was raised, if we were going to continue, because secret use was in the SOGAP, but there was not particulars of it, which, as I understand, is a matter you can get away with in the Patents Office, but you can’t get away with in this court, a question was raised, is there anything we can say about that? Is there any evidence we could possibly lead about that? And Mr Schroeder gave what is in his affidavit, and I have given evidence about, and that led, on a chain of inquiry that ultimately, has revealed what SNF now contends is secret use. It didn’t happen back in 2008 or 2009. It didn’t happen.

Yes. And it didn’t happen because you didn’t take the fundamental step of speaking to your client about each of the potential grounds of invalidity before you signed the pleadings?---It also may have happened – if I had done that, yes, it quite possible would have done …

1. Further on, Mr Watson gave the following evidence:

You see, I put to you, Mr Watson, that if you had had the conversation with Mr Schroeter prior to the trial that you had on 13 May 2013, there is no reason why this material and the material in Ms Herzig’s affidavit could not have been prepared?---That’s quite possible, but equally, as I said before lunch, if the documents, which have been described in schedule A as the secret use documents, had occurred, I have no doubt that that conversation would have happened then.

1. The oral evidence of Mr Watson indicates that the reason why SNF did not contact Ms Herzig prior to trial was because Mr Shroeter had not been given basic advice regarding secret use:

What led you to contact her in 2013?---Because once Mr Schroeter advising that – or suggesting that we should make some more enquiries. Once he was advised that just because use was under a confidentiality agreement did not necessarily mean that the process may not be secret use, he suggested it might be worth enquiring – making further enquiries as to what went on in Yarraman in terms of volume and sales and what circumstances they were sold under.

1. In cross-examination, Mr Watson also accepted the possibility that had SNF made enquiries prior to the trial, it could have approached other witnesses upon which it now seeks to rely to prove secret use. He stated in cross-examination that these witnesses:

… would possibly, if they had been prepared to talk to me at that stage, given me information from their knowledge which, in conjunction with matters in the Ciba documents, would have, SNF asserts, been able to make out secret use.

1. Having regard to the evidence of Mr Scroeter and Mr Watson, I accept the submission for Ciba that the failure of the lawyers acting for SNF to provide timely advice regarding the claims that might have been advanced to invalidate the patents was a failure to exercise reasonable diligence in the circumstance where, had that advice been given, Mr Schroeter was able to provide information to the solicitors that would have led them on a train of inquiry based on the documents that had been discovered by Ciba: *Orr v Holmes*; *Wollongong Corporation*.
2. Further, it is apparent from the evidence that the Secret Use documents are only of tangential relevance to SNF’s secret use case. The primary affidavit filed by SNF in support of its secret use case in the opposition proceedings is an affidavit of Ms Herzig which annexes 265 pages of documents actually discovered by Ciba and does not contain any reference to any of the disputed Secret Use documents. Mr Watson accepted during cross-examination that none of SNF’s witnesses in relation to the secret use claim in the opposition proceedingshas relied on any of the disputed Secret Use documents. Tellingly on the issue of reasonable diligence, SNF pleaded the claim of secret use in the opposition proceedings before SNF had access to the Canadian discovery and had any knowledge of the Secret Use documents. In other words, it would appear that Mr Watson did review the discovered documents in 2013 for the purpose of the opposition proceedings, and was alert to the potential availability of a secret use claim before he was aware of the disputed documents. Therefore, it would seem that the claim did not arise out of knowledge that SNF gained as a result of access to the disputed documents. Significantly, even if SNF had proved that the Secret Use documents were discoverable, it would appear that the unavailability of evidence at the trial in relation to this ground could not be said to have resulted from the failure on the part of Ciba to discover the Secret Use documents.
3. Moreover, Ciba was justifiably critical in closing submissions of Mr Watson’s evidence that he was “misled” by Ciba’s discovery. Mr Watson deposed that one of the key reasons why SNF was not able to obtain evidence of secret use prior to trial was that:

Ciba discovered nine volumes of documents in this proceeding which misled me to form the view that the only sales of flocculant by it for use in relation to the Process was the two tonnes sold to CRL for the Yarraman trial which, misled me to believe that there had been no commercial use of the Process prior to the Priority Date and that all use of the Process prior to the Priority Date had been reasonable trial and testing.

That evidence must be rejected in light of Mr Watson’s acceptance in cross-examination that he did not personally review the documents discovered by Ciba prior to trial and could not recall whether he saw or was shown any of the documents.

1. In light of the above, I am not satisfied that SNF acted with reasonable diligence. SNF failed to act on discovered documents and other available information regarding the Orebind Process. Moreover, the solicitors acting for SNF failed to advise Mr Shroeter prior to trial that secret use was a potential ground of invalidity under the Act and, as a result, SNF did not make reasonable enquiries regarding possible evidence to support this ground. Finally, it does not appear that the Secret Use documents which Ciba allegedly failed to discover were essential to SNF’s secret use case. I do not consider that the unavailability of evidence at trial in relation to lack of novelty and secret use can be said to have resulted from the failure by Ciba (if that were found) to discover the disputed documents, and not SNF’s own conduct.

# IS IT LIKELY THAT SNF WOULD HAVE AMENDED ITS CASE?

1. Even if the disputed documents had been discoverable under SNF’s claimed grounds of invalidity, I am not satisfied that, in all of the circumstances, it is likely that SNF would have amended its case based on those documents.
2. SNF submitted that if Ciba had complied with its innovative step discovery obligations and discovered the disputed documents, SNF would have been provided with information which disclosed to it and/or led it to ascertain information which established that:
   1. Ciba had secretly used the patented process by commercialising the invention by selling polymer to mine operators for use in the patented process and charging a licence fee or technology levy for the use of the patented process prior to the priority date or had entered into agreements with those mine operators to do so prior to the priority date;
   2. Nalco and its customers had publicly used and disclosed the Orebind process in the period between 1999 and the priority date, which disclosed all of the integers of the patented process; and
   3. Illuka had publicly used and disclosed the Yoganup process in 2000, which disclosed all of the integers of the patented process.
3. Mr Mukherji and Ms Jayaweera both deposed in affidavits that, if Ciba had discovered the disputed documents, they would have been alerted to the above matters. Ms Jayaweera deposed to her belief that if she had inspected the disputed documents during her review of Ciba’s discovered documents, she would have discussed those documents with a senior solicitor at the firm who was working on the file. Mr Mukherji similarly asserted that if he had reviewed any of the disputed documents, he would have discussed them with Mr Watson or Ms Golias.
4. Mr Watson deposed to his belief that, had he been shown the disputed documents, they would have enabled him to ascertain that SNF might have a valid basis to challenge the patents on the grounds of novelty and secret use. According to Mr Watson, this would have led SNF to seek further discovery from Ciba and production of documents from third parties under subpoena. As a result, SNF would have amended its pleadings and led evidence to allege that Ciba’s patents were invalid due to prior use of the Orebind and Yoganup Processes and Ciba’s secret use,
5. In case the Court determined that some but not all of the disputed documents were discoverable, SNF also posited a series of alternative scenarios in which it asserts what would have happened if only certain of the disputed documents were discovered.
6. I do not accept those submissions. First, the evidence adduced by SNF in support of its submissions is highly speculative. Secondly, for the reasons that follow, I find that SNF’s assertions about what would have happened if the disputed documents had been discovered to be improbable.

## The Orebind documents

1. Even though Mr Mukherji identified Ciba Discovered Documents 48 and 142 as potentially significant, it appears that those documents were not discussed with Mr Watson or otherwise acted upon. In circumstances where SNF did not act on Discovered Documents 48 and 142, this Court cannot be satisfied that if Ciba had discovered some or all of the Orebind documents, such documents would have been identified or acted upon.

## The Yoganup documents

1. The question of whether SNF would have amended its case as a result of the Yoganup documents does not arise as SNF has failed to establish that the Yoganup documents in fact exist and/or that they were ever in Ciba’s possession, custody or power.

## The Secret Use documents

1. The evidence showed that SNF was not advised about secret use as a potential ground for invalidity until May 2013, after the High Court had dismissed SNF’s application for special leave to appeal. Moreover, for reasons stated earlier in the judgment, it is evident that the Secret Use documents are at best tangential to SNF’s secret use claim. In these circumstances, I am not satisfied that SNF would have looked for and acted upon the Secret Use documents.

# PUBLIC INTEREST IN FINALITY

1. SNF has failed to establish an obligation on the part of Ciba to discover the disputed documents. Even assuming that the disputed documents were discoverable, this is a matter where the public interest in the finality of litigation weighs heavily against the application.
2. The matters which SNF seek to re-open through this application relate to events that occurred prior to 2003. This proceeding was commenced in 2008. The trial on liability took place in 2010, judgment was delivered in 2011 and the appellate process has run its course. The recovery of Ciba of pecuniary relief for the infringing conduct of SNF has been held in abeyance pending the determination of this application.
3. By this application, SNF now seeks to re-open the issue of invalidity based substantially upon documents discovered in 2013 in separate Canadian proceedings in which both the pleaded grounds of invalidity and the obligation for discovery are different and in part upon speculation that certain documents must exist but were not discovered. SNF’s application to re-open is premised on the contention that had Ciba discovered the documents that are in dispute, SNF would have been alerted to and proved at trial that Ciba’s innovation patents were invalid on grounds different to the grounds on which SNF went to trial. SNF did not assert that any of the disputed documents would have enabled SNF to establish invalidity on the pleaded grounds – that is, none of the disputed documents were probative of the actual pleaded claims but, rather, SNF’s case, in essence, was that such documents, if discovered, would have led SNF on a train of inquiry about other potentially available grounds of invalidity to support the revocation claim. The documents at best were tangential to the grounds of invalidity and it has not been alleged that any of those documents would have been relied on in support of the pleaded grounds. Further, as the evidence bore out, there is reason to doubt that if discovery had been made such documents would have been acted upon leading to SNF amending its claim. Those matters strongly militate against the making of the orders sought by SNF.

# CONCLUSION

1. Having regard to the findings made, it is unnecessary to deal with all the other arguments advanced by both parties. The application should be dismissed.

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| I certify that the preceding two hundred and thirteen (213) numbered paragraphs are a true copy of the Reasons for Judgment herein of the Honourable Justice Davies. |

Associate:

Dated: 3 August 2015