

## FEDERAL COURT OF AUSTRALIA

### **Samsung Electronics Co. Limited v Apple Inc. [2011] FCAFC 156**

Citation:	Samsung Electronics Co.Limited v Apple Inc. [2011] FCAFC 156
Appeal from:	Application for leave to appeal: Apple Inc. v Samsung Electronics Co Limited [2011] FCA 1164
Parties:	<b>SAMSUNG ELECTRONICS CO. LIMITED and SAMSUNG ELECTRONICS AUSTRALIA PTY LIMITED (ACN 002 915 648) v APPLE INC. and APPLE PTY LIMITED (ACN 002 510 054)</b>
File number:	NSD 1792 of 2011
Judges:	<b>DOWSETT, FOSTER AND YATES JJ</b>
Date of judgment:	30 November 2011
Catchwords:	<p><b>APPEAL</b> – appeal from decision to grant interlocutory injunctions – leave to appeal required – injunction has effect of finally determining the main matter at issue – leave granted – principles to be applied on appeal in such a matter discussed</p> <p><b>PATENTS</b> – claim of infringement of two patents – assertion of invalidity of one of those patents – interlocutory injunctive relief sought – whether strength of the infringement case and the balance of convenience and justice sufficient to sustain the grant of interlocutory injunction – fast-moving product – injunction likely to determine the fate of the product</p> <p><b>PRACTICE AND PROCEDURE</b> – interlocutory injunctions – relevant principles discussed – Court must evaluate the strength of the probability of success for the applicant and to take that evaluation into account when assessing the balance of convenience and justice</p>
Legislation:	<i>Australian Consumer Law</i> <i>Federal Court of Australia Act 1976</i> (Cth), s 23 <i>Judiciary Act 1903</i> (Cth), s 35(1) <i>Patents Act 1990</i> (Cth), ss 40, 116, 122 and Schedule 1
Cases cited:	<i>AB Hassle v Pharmacia (Aust) Pty Ltd</i> (1995) 33 IPR 63 cited

*Aktiebolaget Hassle v Biochemie Australia Pty Ltd* (2003) 57 IPR 1 cited  
*American Cyanamid Co v Ethicon Ltd* [1975] AC 396 cited  
*Australian Broadcasting Corporation v Lenah Game Meats Pty Ltd* (2001) 208 CLR 199 applied  
*Australian Broadcasting Corporation v O'Neill* (2006) 227 CLR 57 applied  
*Australian Coal and Shale Employees' Federation v The Commonwealth* (1953) 94 CLR 621 applied  
*Australian Competition & Consumer Commission v Allphones Retail Pty Ltd (No 2)* (2009) 253 ALR 324 cited  
*Beecham Group Ltd v Bristol Laboratories Pty Ltd* (1968) 118 CLR 618 cited  
*Bienstein v Bienstein* (2003) 195 ALR 225 cited  
*C. Van der Lely N.V. v Bamfords Limited* [1963] RPC 61 followed  
*Cardile v LED Builders Pty Ltd* (1999) 198 CLR 380 cited  
*Castlemaine Tooheys Ltd v South Australia* (1986) 161 CLR 148 cited  
*Décor Corporation Pty Ltd v Dart Industries Inc* (1991) 33 FCR 397 applied  
*E I Du Pont de Nemours & Co v ICI Chemicals & Polymers Ltd* (2005) 66 IPR 462 followed  
*Ex parte Bucknell* (1936) 56 CLR 221 applied  
*Flexible Steel Lacing Company v Beltreco Ltd* (2000) 49 IPR 331 cited  
*H Lundbeck A/S v Alphapharm Pty Ltd* (2009) 177 FCR 151 cited  
*Hexal Australia Pty Ltd v Roche Therapeutics Inc* (2005) 66 IPR 325 cited  
*Hill v Evans* (1862) 4 De GF & J 288; 1A IPR 1 followed  
*Hoechst Celanese Corp v BP Chemicals Ltd* [1998] FSR 586 cited  
*House v The King* (1936) 55 CLR 499 applied  
*Instyle Contract Textiles Pty Ltd v Good Environmental Choice Services Pty Ltd (No 2)* [2010] FCA 38 cited  
*Interpharma Pty Ltd v Commissioner of Patents* (2008) 79 IPR 261; [2008] FCA 1498 cited  
*Johnson Tiles Pty Ltd v Esso Australia Pty Ltd* (2000) 104 FCR 564 followed  
*Kolback Securities Ltd v Epoch Mining NL* (1987) 8 NSWLR 533 followed  
*Mallet v Mallet* (1984) 156 CLR 605 applied  
*Marley New Zealand Ltd v Icon Plastics Pty Ltd* [2007] FCA 851 cited  
*Martin Engineering Co v Trison Holdings Pty Ltd* (1988) 81 ALR 543 cited  
*Medrad Inc v Alpine Pty Ltd* (2009) 82 IPR 101 cited  
*Nicaro Holdings Pty Ltd v Martin Engineering Co* (1990) 91 ALR 513 cited

*Norbis v Norbis* (1986) 161 CLR 513 applied  
*NWL Ltd v Woods* [1979] 3 All ER 614 cited  
*Patrick Stevedores Operations No 2 Pty Ltd v Maritime Union of Australia* (1998) 195 CLR 1 applied  
*Ramset Fasteners (Aust) Pty Ltd v Advanced Building Systems Pty Ltd* (1999) 164 ALR 239 cited  
*Sigma Pharmaceuticals (Australia) Pty Ltd v Wyeth* (2009) 81 IPR 339 cited  
*Smith & Nephew Pty Ltd v Wake Forest University Health Sciences* (2009) 82 IPR 467 cited  
*Tait v The Queen* (1962) 108 CLR 620 cited  
*Tidy Tea Ltd v Unilever Australia Ltd* (1995) 32 IPR 405 cited  
*Trade Practices Commission v Rank Commercial Ltd* (1994) 53 FCR 303 cited  
*Welch Perrin & Co Pty Ltd v Worrel* (1961) 106 CLR 607 applied  
*Yara Australia Pty Ltd v Burrup Holdings Ltd* (2011) 80 ACSR 641 cited

Ashburner, *The Principles of Equity* (2<sup>nd</sup> edn, 1933)  
Miller R, Burkill G, Birss C, Campbell D, *Terrell on the Law of Patents* (17th edn, Sweet & Maxwell Ltd, 2010)  
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Date of hearing:	25 November 2011
Place:	Sydney
Division:	GENERAL DIVISION
Category:	Catchwords
Number of paragraphs:	206
Counsel for the Applicants/ Appellants:	Mr NJ Young QC and Mr NR Murray
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Solicitor for the Respondents:	Freehills

**IN THE FEDERAL COURT OF AUSTRALIA  
NEW SOUTH WALES DISTRICT REGISTRY  
GENERAL DIVISION**

**NSD 1792 of 2011**

**ON APPEAL FROM THE FEDERAL COURT OF AUSTRALIA**

**BETWEEN: SAMSUNG ELECTRONICS CO. LIMITED**  
**First Applicant/First Appellant**

**SAMSUNG ELECTRONICS AUSTRALIA PTY LIMITED**  
**(ACN 002 915 648)**  
**Second Applicant/Second Appellant**

**AND: APPLE INC.**  
**First Respondent**

**APPLE PTY LIMITED (ACN 002 510 054)**  
**Second Respondent**

**JUDGES: DOWSETT, FOSTER AND YATES JJ**

**DATE OF ORDER: 30 NOVEMBER 2011**

**WHERE MADE: SYDNEY**

**THE COURT ORDERS THAT:**

1. The applicants have leave to appeal from the decision of Bennett J made on 13 October 2011 and the orders made by Bennett J on 14 October 2011.
2. The draft Notice of Appeal filed on 17 October 2011 at the same time as the applicants' Application for Leave to Appeal herein stand as the appellants' Notice of Appeal.
3. The appeal be allowed.
4. The interlocutory injunctions granted by Bennett J at paragraphs 4 and 5 of the orders made by her Honour on 14 October 2011 be immediately discharged.
5. In lieu of those orders, and upon the respondents to the appeal (the Apple parties) continuing the undertakings which they gave to the Court on 14 October 2011, until further or other order, the appellants keep accounts with respect to the Australian Galaxy Tab 10.1 referred to in the respondents' Statement of Facts and Contentions



for Interlocutory Relief dated 5 September 2011 (**the Galaxy Tab 10.1**), in which are recorded comprehensive details of:

- (a) each Galaxy Tab 10.1 imported into Australia by the appellants or either of them for the purpose of promotion, sale or other supply;
- (b) each Galaxy Tab 10.1 kept in Australia by or for the appellants or either of them for the purpose of promotion, sale or supply;
- (c) each Galaxy Tab 10.1 sold or otherwise supplied in Australia or from Australia by the appellants or either of them; and
- (d) all sales or other supply in Australia of associated material called “Apps” that are downloaded from the Samsung Applications Store to Galaxy Tab 10.1 devices in Australia or to Galaxy Tab 10.1 devices sold from Australia,

such accounts to be kept in such form as to distinguish between each of the dealings referred to in subparagraphs (a) to (d).

- 6. The respondents’ claim for interlocutory relief set out in Section B of the respondents’ Amended Application dated 5 September 2011 otherwise be dismissed.
- 7. The respondents pay the appellants’ costs of and incidental to the application for leave to appeal and the appeal.
- 8. As soon as practicable, the proceeding be listed for directions before the docket judge by arrangement with the docket judge.

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

**IN THE FEDERAL COURT OF AUSTRALIA  
NEW SOUTH WALES DISTRICT REGISTRY  
GENERAL DIVISION**

**NSD 1792 of 2011**

**ON APPEAL FROM THE FEDERAL COURT OF AUSTRALIA**

**BETWEEN: SAMSUNG ELECTRONICS CO. LIMITED  
First Applicant/First Appellant**

**SAMSUNG ELECTRONICS AUSTRALIA PTY LIMITED  
(ACN 002 915 648)  
Second Applicant/Second Appellant**

**AND: APPLE INC.  
First Respondent**

**APPLE PTY LIMITED (ACN 002 510 054)  
Second Respondent**

**JUDGES: DOWSETT, FOSTER AND YATES JJ**

**DATE: 30 NOVEMBER 2011**

**PLACE: SYDNEY**

**REASONS FOR JUDGMENT**

**THE COURT:**

**BACKGROUND**

1 On 28 July 2011 the first and second applicants below (collectively **Apple**) commenced proceedings against the first and second respondents below (collectively **Samsung**) alleging infringement or threatened infringement of certain patents held by Apple. Apple markets in Australia a tablet computer known as the “iPad”. The iPad uses an operating system known as “iOS”. Apple alleges that Samsung proposes to market in Australia a tablet computer known as the “Galaxy Tab 10.1” (**the Galaxy Tab 10.1**) which uses an operating system known as “Android”. The Android operating system is available for use by many other manufacturers of computing and similar equipment. The iOS is available for use only with Apple products. Apple alleges that the importation, sale and promotion of the Galaxy Tab 10.1 will infringe claims in 13 of its patents. It also alleges breach or anticipated breach of the *Australian Consumer Law* and passing off. Samsung

denies these allegations and has cross-claimed, seeking revocation of certain patents held by Apple and alleging infringement by Apple of certain patents held by Samsung.

2 Apple applied for interlocutory injunctive relief. That application was heard on 26, 29 and 30 September and 4 October 2011. The primary judge reserved her decision and published reasons for judgment on 13 October 2011 (*Apple Inc. v Samsung Electronics Co Limited* [2011] FCA 1164). On 14 October 2011, she made orders granting interlocutory relief. The matter before us is an application for leave to appeal against the grant of such relief. The putative appeal has been listed at the same time as the application for leave to appeal. The application for interlocutory relief concerned only the alleged infringement by Samsung of claims in two patents, claim 6 in Australian Standard Patent No 2005246219 (**the Touch Screen Patent**) and claims 1 and 55 of Australian Standard Patent No 2007286532 (**the Heuristics Patent**).

### THE TOUCH SCREEN PATENT

3 In her reasons for judgment (at [37]), her Honour explained the Touch Screen Patent in the following way:

The specification of the Touch Screen Patent explains that there are several types of touch screen technologies including resistive, capacitive, infra-red, surface acoustic wave, electro-magnetic and near-field imaging. In capacitive technologies, the touch panel is coated with a material that stores electrical charge. When the panel is touched, a small amount of charge is drawn to the point of contact. Circuits located at each corner of the panel measure the charge and send the information to the controller for processing. One problem identified in the background of the invention is that all the existing technologies were only capable of reporting a single point, even when multiple objects are placed on the sensing surface. As the specification states, existing technologies lacked the ability to track multiple points of contact simultaneously. This problem arises particularly in tablet PCs when one hand is used to hold the tablet and the other is used to generate touch events.

4 Claim 6 in the Touch Screen Patent is in the following terms:

6. A touch panel having a transparent capacitive sensing medium configured to detect multiple touches or near touches that occur at a same time and at distinct locations in a plane of the touch panel and to produce distinct signals representative of a location of the touches on the plane of the touch panel for each of the multiple touches, the transparent capacitive sensing medium comprising:

a first layer having a plurality of lines that are electrically isolated from one another and formed from a transparent conductive material; and

a second layer spatially separated from the first layer and having a plurality of lines that are electrically isolated from one another and formed from a transparent

conductive material, the second conductive lines being positioned transverse to the first conductive lines, the intersection of transverse lines being positioned at different locations in the plane of the touch panel, each of the conductive lines being operatively coupled to capacitive monitoring circuitry,

**wherein the first layer and the second layer are disposed on two sides of an optically transmissive member.** (emphasis added)

The words in bold type are of primary significance for present purposes. Her Honour noted (at [40]) that Samsung denied infringement, contending that:

... the [Galaxy Tab 10.1] does not include a touch panel having, among other things, a first layer of conductive lines and a second layer of conductive lines, wherein the first layer is disposed on the first side of an optically transmissive member and the second layer is disposed on the second side of the same optically transmissive layer. Samsung says that this is the requirement of, and an essential integer of, claim 6 of the Touch Screen Patent.

5 Samsung seeks revocation of claim 6. The only ground ventilated at the interlocutory hearing was lack of novelty.

## THE HEURISTICS PATENT

6 At [92]–[94] the primary judge explained the Heuristics Patent as follows:

92 The field of the invention of the Heuristics Patent relates to electronic devices with touch screen displays that apply heuristics to detect user gestures on a touch screen display to determine commands. It does not seem to be in issue that the term heuristics refers to strategies that use imprecise or approximate computation; here, providing precise output by interpreting imprecise inputs. Both parties cite the explanation by Professor Cockburn, who is a Professor in Computer Science and Software Engineering and from whom Apple adduced evidence in the proceedings. Professor Cockburn explains that:

‘Heuristics’, as used in the context of programming, refers generally to strategies for imprecise or approximate computation. One form of heuristics involves providing precise output by interpreting imprecise inputs. Normally, computer programs perform computations by generating precise outcomes from precise input. However, where the input data is imprecise, heuristics can be applied to provide a solution for interpreting such data by executing one or more programs (each containing a precise set of instructions) to analyse such data.

...

As used in the Heuristics Patent, which relates to electronic devices with touch screen displays, the term ‘heuristics’ refers to a strategy or strategies for interpreting the particular command which a user intended to execute, based on the user’s touch gesture (where a gesture could include one or more finger contacts). For example, heuristics may be used to determine whether a user who makes an



'off-vertical' swipe intended to make a vertical scroll or a 2-D translation. A user's touch gestures are always, at least to some extent, ambiguous; a perfect vertical scrolling gesture would require the movement of the user's finger to be in a perfectly vertical direction for the correct length (and perhaps also at the correct speed). However, a user will in practice never execute a gesture with such precision. Using heuristics, the device may, for example, be able to recognise a range of 'near-vertical' movements, covering a range of angles, as a vertical scroll, rather than a 2-D translation, by stipulating conditions within the relevant program(s) for what movements will be interpreted as a vertical scroll and what will be interpreted as a 2-D translation.

- 93 The Heuristics Patent sets out the background to the claimed invention. Generally speaking, the context is described as follows:

As portable electronic devices become more compact, and the number of functions performed by a given device increase, it has become a significant challenge to design a user interface that allows users to easily interact with a multifunction device.

- 94 The specification describes the previous use of more pushbuttons or complex menu systems to allow a user to access, store and manipulate data and then details the disadvantages of such solutions. The specification continues:

To avoid problems associated with pushbuttons and complex menu systems, portable electronic devices may use touch screen displays that detect user gestures on the touch screen and translate detected gestures into commands to be performed. However, user gestures may be imprecise; a particular gesture may only roughly correspond to a desired command. Other devices with touch screen displays, such as desktop computers with touch screen displays, also may have difficulties translating imprecise gestures into desired commands. Accordingly, there is a need for touch-screen-display electronic devices with more transparent and intuitive user interfaces for translating imprecise user gestures into precise, intended commands that are easy to use, configure, and/or adapt.

- 7 Claim 1 is in the following terms:

1. A computer-implemented method, comprising:
  - at a computing device with a touch screen display,
  - detecting one or more finger contacts with the touch screen display,
  - applying one or more heuristics to the one or more finger contacts to determine a command for the device; and
  - processing the command;
  - wherein the one or more heuristics perform the functions of:
    - determining that the one or more finger contacts correspond to a one-dimensional vertical screen scrolling command rather than a two-dimensional screen translation command, **based on an angle of movement of the one or more finger contacts with respect to the touch screen display**; (emphasis added) and

determining that the one or more finger contacts correspond to a two dimensional screen translation command rather than a one-dimensional screen translation command, **based on an angle of movement of the one or more finger contacts with respect to the touch screen display.** (emphasis added)

Again the words in bold type are significant for present purposes.

8 Claim 55 states:

55. A computer-implemented method of any one of claims 1 to 26, wherein the one or more finger contacts correspond to a finger gesture with an initial movement and a subsequent movement, and wherein

the function of determining that the one or more finger contacts correspond to a one-dimensional vertical screen scrolling command rather than a two-dimensional screen translation command includes identifying the entire finger gesture as the one-dimensional vertical screen scrolling command and **basing the determination on the angle of movement of the initial movement of the finger gesture,** (emphasis added) and wherein

the function of determining that the one or more finger contacts correspond to a two-dimensional screen translation command rather than a one-dimensional vertical screen scrolling command includes identifying the entire finger gesture as the two-dimensional screen translation command and **basing the determination on the angle of movement of the initial movement of the finger gesture.** (emphasis added)

9 For present purposes, the dispute concerning the Heuristics Patent focuses primarily upon the construction of claim 1.

## THE JUDGMENT OF THE PRIMARY JUDGE

### Whether Apple established a Prima Facie Case

10 At [40]–[57] her Honour dealt with the Touch Screen Patent, setting out the parties' competing submissions as to construction of claim 6 and some of the evidence. At [58] her Honour concluded:

58 Apple's construction is that claim 6 is not restricted to a claim whereby the first layer of conductive lines and the second layer of conductive lines are disposed on the first and second sides of the same optically transmissive member. Taking all of the above matters into account, Apple has made out a prima facie case for infringement on the basis that, if Apple's construction is accepted, claim 6 is infringed by the [Galaxy Tab 10.1].

11 As to novelty, Samsung relied upon two pieces of prior art, described in the judgment as the "Leeper Article" and the "Mulligan Patent". The first piece of prior art referred to is the document entitled *14.2: Integration of a Clear Capacitive Touch Screen with a 1/8-VGA*

*FSTN-LCD to form an LCD-based TouchPad (the Leeper Article)*. The second piece of prior art is Australian Patent Application No. 2003291378 published by WIPO on or before 22 July 2004 but claiming priority as at 19 December 2002 (**the Mulligan patent application**). Her Honour set out the parties' submissions concerning the Leeper Article, concluding at [74]–[75]:

74 The evidence available to understand the disclosures of claim 6 and the Leeper Article is not complete. From Mr Phares' affidavit, it is not clear whether the person of ordinary skill would necessarily read claim 6 as requiring mutual capacitance. There is no evidence from Mr Phares or any skilled reader as to the disclosures of the Leeper Article. The competing submissions of the parties suggest that they do not agree on the disclosures. If Apple is correct, the Leeper Article does not constitute an anticipation of claim 6. If Samsung is correct, claim 6 is invalid for want of novelty. Both parties have advanced cogent submissions in support of their respective positions.

75 Samsung has established a *prima facie* case for the want of novelty of claim 6 of the Touch Screen Patent. However, within the analysis referred to at [32]–[36] above, Samsung's case on invalidity by reason of the disclosures in the Leeper Article does not alter the conclusion that Apple has a *prima facie* case for relief for infringement of claim 6 within the test in *O'Neill*.

12 Her Honour dealt similarly with the Mulligan patent application, concluding at [86]–[88]:

86 The parties are clearly at issue over the disclosures of the Mulligan Patent and the extent to which that patent can constitute part of the prior art base for the purpose of establishing want of novelty of claim 6 of the Touch Screen Patent. Again, cogent submissions have been advanced by each party in reliance on certain disclosures of the Mulligan Patent, in the context of that patent as a whole.

87 Again, there is no evidence from any skilled reader as to the disclosures of the Mulligan Patent. Samsung contends that no such evidence is necessary and that the disclosures are clearly present and are sufficient to equate to the essential integers of claim 6 of the Touch Screen Patent.

88 The same conclusion as that reached for the Leeper Article applies.

13 As we have observed, the issue in connection with the Heuristics Patent is primarily as to the construction of claim 1. We will deal with this in more detail at a later stage. However, at [125]–[127] her Honour said:

125 The question of construction that arises is whether the phrase '*based on an angle of movement of the one or more finger contacts with respect to the touch screen display*' qualifies the determination by the heuristic or the command of the user. It seems to me, based on the evidence presently adduced and the submissions advanced, that, while Samsung's construction

has force and may ultimately be successful, both constructions can be said to be open. Samsung has not submitted that it does not infringe claim 1 if that claim bears the construction for which Apple contends.

126 No additional submissions on non-infringement were directed to claim 55.

127 Neither party has asked me to determine this question on a final basis. Indeed, my proposal to do so was rejected. It may well be that further evidence by a skilled reader and a more detailed consideration of the Heuristics Patent will assist. In any event, for the purposes of this interlocutory application, Apple has made out a prima facie case for infringement within the meaning in *O'Neill*. On the present evidence, if Apple's construction prevails, the [Galaxy Tab 10.1] will infringe claim 1.

### The Balance of Convenience and Justice

14 At [130]–[132] the primary judge said, relevant to the question of balance of convenience:

130 For the purposes of consideration of the balance of convenience, the parties agree that:

- at present, Apple has the Australian tablet market “virtually to itself”;
- the [Galaxy Tab 10.1] would be a “formidable player” in the Australian tablet market;
- at least initially, the aim of the launch of the [Galaxy Tab 10.1] is to establish a market in the Android platform; and
- at least initially, the growth of the market in the Android platform would largely be at the expense of Apple.

131 As a preliminary matter, I wish to make some observations on the fact that both parties, in their submissions on the balance of convenience, made repeated criticisms of the other for making assertions not supported by any evidence. In circumstances where it may not have been possible to support such assertions by evidence readily at the parties' disposal, especially given the rapidly changing nature of the tablet market, and considering the exigencies of an interlocutory application and the substantial amount of evidence that was placed before the Court, my view is that, where appropriate, a failure to adduce admissible evidence as to a factor that has a basis in logic or generally accepted market dynamics is not necessarily to be held against the party accused of lacking an evidentiary basis for that assertion. The same does not apply to a fact generally in issue or to the assessment of whether there is a prima facie case, or to matters notified to the parties as being matters that I could not accept as assertion made by counsel unsupported by evidence.

132 It is convenient to divide the balance of convenience arguments put forward by the parties as follows:

- the significance of the detriment;
- whether damages are an adequate remedy;
- whether, as a result of the short life cycle of tablet devices, injunctive relief is equivalent to final relief;



- the preservation of the status quo in the Australian tablet market;
- whether Samsung proceeded with its “eyes wide open”;
- whether there was relevant delay by Apple and, if so, the consequences of such delay; and
- the strength of Apple’s prima facie case.

15 Her Honour then addressed attempts to arrange an early final hearing of the matter and the parties’ responses. On 26 September 2011, the day fixed for commencement of the interlocutory hearing, her Honour raised the possibility of a final hearing in November 2011. That possibility was canvassed again at various times throughout the hearing.

16 Apple submitted that Samsung was unwilling to accept an early final hearing and that such unwillingness was significant in the assessment of the balance of convenience. Although her Honour did not accept this submission, she nonetheless took Samsung’s alleged unwillingness into account in assessing the balance of convenience.

17 In considering the balance of convenience the primary judge first addressed the detriment likely to be suffered by each party if interlocutory relief were granted or refused, concluding that Apple would suffer significant detriment if no interlocutory relief were granted, and that Samsung would suffer significant detriment if such relief were granted. Her Honour then addressed the adequacy of damages, concluding that in each case damages would be an inadequate remedy for the harm likely to be suffered, and that it is “not practicable for the Court to engage in an assessment of which [harm] is more difficult to quantify on the existing evidence ...”.

18 Her Honour also considered the question of diminution of the benefit to be obtained by final relief, depending upon the grant or refusal of interlocutory relief. As we have observed, the parties accept that both the Apple product and the Galaxy Tab 10.1 have relatively short life cycles in the market and that this means that the grant or refusal of interlocutory relief will effectively determine the matter on a final basis. At [212] the primary judge said:

212 The above analysis is predicated on the assumption that there is a later final hearing date. An assessment of this element of the balance of convenience also involves consideration of Samsung’s unwillingness to accept an early final hearing. It is this unwillingness that affects whether injunctive relief concerning the [Galaxy Tab 10.1] may, in practical terms, amount to final relief against Samsung. I attribute some weight to this. Samsung could have

alleviated this factor by adapting its approach to this litigation and moving on the basis of an early final hearing on the separate questions set out in the Samsung Proposal. While a separate determination of infringement of the presently asserted claims and a limited determination of the validity of the Interlocutory Patents is not ideal, it would alleviate the extent of the detriment asserted by Samsung if Samsung were to be successful.

19           Apparently, for this reason, her Honour found that this aspect of the balance of convenience was in Apple's favour.

20           Apple submitted before the primary judge that it "has a relatively long-standing and established trade in the iPad, including the iPad 2, while Samsung has no trade at all in the [the Galaxy Tab 10.1]". It submitted that this position was the "status quo" which should be protected. Her Honour rejected the submission, at least in part because Samsung was already active in the Australian market. Her Honour did not give any weight to this consideration in determining the balance of convenience in the present case.

21           In considering the balance of convenience, the primary judge asked and answered the question: "Did Samsung proceed with its 'eyes wide open'?" Her Honour concluded at [233] that, as a result of litigation elsewhere in the world and correspondence between the parties, Samsung "had been put on notice in the latter half of 2010 that Apple intended to enforce its patent rights ...". However at [235] her Honour said:

... from 15 April 2011 Samsung knew or should have known of the likelihood that Apple would intend to pursue its intellectual property rights, including its patent rights, in respect of the launch of the Galaxy Tab 10.1 in Australia. I accept that from 15 April 2011 Samsung proceeded to make preparations for the launch of the Galaxy Tab 10.1 in Australia with its "eyes wide open" to the impending commencement of legal proceedings in Australia, although not necessarily with respect to the detail of these proceedings. The evidence suggests that Samsung chose to do nothing about this until Apple commenced proceedings on 28 July 2011.

22           At [236] her Honour observed that much of the anticipated harm to Samsung, were an injunction granted, would be caused as a result of further delay in the launch of the Galaxy Tab 10.1. Her Honour correctly observed that, had Samsung, as a result of Apple's assertions, delayed preparation for the launch, it would have inflicted the same harm on itself as it had sought to avoid. Nonetheless her Honour concluded that the "eyes wide open" factor should be weighed against Samsung, although with minimal weight.

23 The primary judge then returned to the strength of the *prima facie* case. At [239] her Honour said:

Recognising that any order must relate only to the specific infringements alleged, an overall assessment of Apple's *prima facie* case for relief is strengthened by the fact that I have found that it has a *prima facie* case for relief in respect of two separate, registered patents. Accordingly, I weigh this factor in favour of Apple.

24 At [240]–[244] her Honour said:

240 The balance of convenience is almost evenly weighted. I have found that the detriment to both parties from an adverse outcome would be significant. For both parties, damages would be an inadequate remedy for the detriment they will suffer.

241 However, there are several balance of convenience factors that favour Apple. These factors are, perhaps, not to be given weight to the same extent as factors such as the detriment and inadequacy of damages to both parties, but they are nonetheless important factors. They are as follows:

- An interlocutory injunction may, in practical terms, amount to final relief for both parties. However, I give some weight to Samsung's unwillingness to accept an early hearing date, which would have reduced this effect.
- I give some weight, albeit minimal, to my conclusion that from 15 April 2011 Samsung proceeded with preparations to launch the [Galaxy Tab 10.1] in Australia with its "eyes wide open".
- Apple's *prima facie* case is strengthened by the fact that I have found that it has a *prima facie* case in respect of two separate, registered patents. I give some weight to this.

242 I have not given any weight to factors such as delay and the preservation of the status quo.

243 Accordingly, in my view, the balance of convenience tilts in Apple's favour. That is, Apple's inconvenience or injury from the refusal of an injunction of the [Galaxy Tab 10.1] marginally outweighs the inconvenience or injury Samsung would suffer if an injunction were granted.

#### CONCLUSION

244 Apple has established a *prima facie* case for an entitlement to relief on the Heuristics Patent. Even though Samsung has established a *prima facie* case for the invalidity of the Touch Screen Patent, Apple has also established a *prima facie* case for an entitlement to relief on the Touch Screen Patent. The balance of convenience tilts in Apple's favour. I am satisfied, within the test in *O'Neill*, that it is appropriate to restrain the launch of [Galaxy Tab 10.1].

#### LEAVE TO APPEAL

25 The decision of the primary judge was interlocutory, concerned a matter of practice and procedure and involved the exercise of a discretion. It did, however, have a significant impact upon the business of Samsung and the future prospects of the Galaxy Tab 10.1.

26 In this Court, it is well established that the relevant test (or “*litmus test*”) for whether leave to appeal from an interlocutory judgment will be granted, comprises the following two integers:

- (1) Whether, in all the circumstances of the case, the decision is attended by sufficient doubt to warrant its being reconsidered by the Full Court; and
- (2) Whether substantial injustice would result if leave were refused supposing the decision to be wrong.

(*Décor Corporation Pty Ltd v Dart Industries Inc* (1991) 33 FCR 397 at 398–400).

27 In *Bienstein v Bienstein* (2003) 195 ALR 225 at [29] (p 231), McHugh, Kirby and Callinan JJ said that:

The principles that govern the grant of leave to appeal are well established. An applicant for leave must establish that the decision in question is attended with sufficient doubt to warrant the grant of leave. The applicant must also show that substantial injustice will result from a refusal of leave to appeal.

28 The test for leave to appeal explained by the High Court in *Bienstein v Bienstein* is the same test as the Full Court had earlier articulated in *Décor*.

29 As the Full Court itself said in *Décor*, the test which it described is appropriate for the general run of cases. The test should not, however, be applied as if it were some hard and fast rule. Each case must be considered on its merits.

30 In *Johnson Tiles Pty Ltd v Esso Australia Pty Ltd* (2000) 104 FCR 564, French J (as he then was) (with whom Beaumont and Finkelstein JJ agreed), when dealing with the principles which generally govern the grant of leave to appeal from an interlocutory decision in relation to a matter of practice and procedure, said (at [43]–[44]) (pp 584–584):

- 43 Artificial distinctions may be drawn because of the requirement that the Court looks to the legal rather than the practical effect of the order in question—*Carr* at 248 (Gibbs CJ) 256 (Mason J). But such artificiality as may arise can be overcome by a sensible exercise of the discretion to grant leave informed by the underlying policy of that requirement. Interlocutory orders cover a spectrum from those concerned solely with the mechanics of case management and pre-trial preparation to those which may, for one reason or another, have a significant impact upon the scope and outcome of the proceedings. If the order, the subject of the application for leave to appeal, is concerned with the mechanics of the pre-trial process then the



scales are likely to be weighted against the grant of leave. However if while interlocutory in legal effect it has the practical operation of finally determining the rights of the parties “a prima facie case exists for granting leave to appeal”—*Ex parte Bucknell* (1936) 56 CLR 221 at 225; *Decor Corporation Pty Ltd v Dart Industries Inc* (1991) 33 FCR 397 at 400; *Minogue v Williams* [2000] FCA 125 at [18]. If a proceeding is dismissed because it is frivolous or vexatious or because no reasonable cause of action is disclosed the decision is treated as interlocutory. However leave will usually be granted in such a case if there is any doubt about the decision at first instance—*Little v Victoria* [1998] 4 VR 596 at 598-600 and 601 (Callaway JA, Buchanan JA agreeing).

44 The Full Court in *Minogue* restated the two tests enunciated in *Decor Corporation* which have been developed to justify the grant of leave to appeal from an interlocutory order. The first is that the decision at first instance should be attended with sufficient doubt to warrant its reconsideration on appeal. The second is that substantial injustice would result if leave were refused. The present case is one in which the decisions in question have allowed causes of action to go forward which the respondents and other parties say are untenable and should be struck out. It was contended for BHP that, in so far as the decision of 3 March 2000 involves rejection of the contention that the s 52 claim is colourable and that the Court lacks accrued jurisdiction to deal with the common law claim, this was a decision that fully determined the rights of the parties and that leave to appeal was not required in respect of it. The “decisions” referred to however were findings underlying an order, the relevant order being to allow the amendments to the statement of claim.

31 On the spectrum described by his Honour, the grant or refusal of an interlocutory injunction may have a significant impact upon the scope and outcome of the proceedings. If the practical effect of the relevant interlocutory decision is to finally determine the rights of the parties, a *prima facie* case exists for granting leave to appeal.

32 In *Ex parte Bucknell* (1936) 56 CLR 221 at 225, the High Court (Latham CJ and Rich, Dixon, Evatt and McTiernan JJ) considered the principles which should govern the grant of leave to appeal from an interlocutory judgment of a Supreme Court of a State or Territory pursuant to s 35(1) of the *Judiciary Act 1903* (Cth). In that case, at 225–227, the High Court said:

An interlocutory order affecting only the course of proceedings in an action or suit can seldom fall within the prescribed classes of s 35(1). For example, it is difficult to imagine orders relating to interrogatories, discovery, examining witnesses out of court, the giving of particulars, or like procedural matters, prejudicing a party to the extent of £300. But, to appoint a receiver, to grant an interlocutory injunction, to order a new trial, to give judgment on demurrer holding one of several pleas to be bad, or to give leave to sign summary judgment, may well affect rights of the necessary value.

It is apparent that many different considerations may be raised by cases in which leave only is needed, and that all the grounds upon which applications may succeed cannot be stated in advance. It is possible, however, to say how certain types of cases should be dealt with. But any statement of the matters which would justify granting leave to appeal must be subject to one important qualification which applies to all cases. It is this. The court will examine each case and, unless the circumstances are exceptional, it will not grant leave if it forms a clear opinion adverse to the success of the proposed appeal.

There is one class of case which raises little difficulty. If the interlocutory order, being an order of the character specified in sub-pars 1, 2 or 3 of s 35(a), has the practical effect of finally determining the rights of the parties, though it is interlocutory in form, a *prima facie* case exists for granting leave to appeal. For example, a judgment for either party on a demurrer might, in effect, be decisive of the whole litigation. Although such a judgment would often be interlocutory, it might be final in determining the issue between the parties, and, in such a case, leave would be granted almost as of course. Again, an order giving leave to sign final judgment is in its form interlocutory (*Cox Brothers (Australia) Ltd v Cox* (1934) 50 CLR 314; [1934] ALR 193). Yet in its effect it is final. But, in such a case, the court is under a duty to take care that a defendant who is unlikely to succeed in his appeal does not by appealing to this court and obtaining a stay, defeat the very purpose of proceedings by way of summary judgment.

A class of case which raises more difficulty is to be found in judgments ordering a new trial. As to these, it is, perhaps, impossible to lay down any complete set of rules; but the following considerations may be mentioned as relevant in applications for leave to appeal from such orders. If, having regard not only to the order itself, but also to the reasons on which it is based, it appears to amount, either as a matter of law or from a practical point of view, to a decision of the matter at issue in favour of one party, so that the new trial had in pursuance of the order can have but one result, leave to appeal should *prima facie* be granted. Of course, upon every application for leave to appeal from a new trial order, if the High Court is clearly of opinion that an appeal would not succeed, leave should be refused. But even if a party seeking leave is able to make the correctness of the order for a new trial appear doubtful in relation to the grounds assigned for it, yet this court may refrain from giving leave on other grounds associated with the litigation which lead to the opinion that the verdict was unsatisfactory. If the effect of the judgment ordering a new trial is not such as to determine the substantial matter at issue between the parties in the manner stated, an application for leave to appeal may nevertheless succeed if the appeal would raise a matter of general importance. Further, it may be shown that intervention at an early stage by granting leave to appeal from an order for a new trial may save an appeal at a later stage, and thus avoid or diminish expenditure in costs.

Similar considerations apply to orders granting interlocutory injunctions. If the decision upon an application for an interlocutory injunction practically determines some important issue between the parties, leave would readily be granted, if, of course, the case falls within the sub-paragraphs of the sub-section. But the court will take into account the possibility or probability of the question being affected by further evidence adduced at the trial.

Finally, a decision by the High Court upon an interlocutory matter may, in some cases, save much expense and delay. When it is shown that this is the case, or that it may probably be the case, the court will be more ready to grant leave to appeal.

33 In *Ex parte Bucknell*, the High Court emphasised the importance of the Court considering the practical operation or effect of the interlocutory order from which leave to appeal is sought. Leave should readily be granted if, as a practical matter, the interlocutory order has the effect of determining the whole of the proceeding or an important issue in the proceeding.

34 In *Australian Broadcasting Corporation v O'Neill* (2006) 227 CLR 57 at [53] (p 78), Gummow and Hayne JJ said that, although the grant of an interlocutory injunction is a matter of practice and procedure, where matters of principle are involved, an appeal "... *stands somewhat above the ordinary appeal in a matter of practice and procedure*".

35 The commercial life of the Galaxy Tab 10.1 is approximately twelve months from launch. The product was about to be launched in the middle of 2011. In circumstances where Apple's claims of infringement of its patents have not yet been fixed for final hearing and where such a final hearing is not likely to take place before the middle of 2012, at the earliest, the interlocutory injunctions granted by the primary judge have the practical effect of killing off the Galaxy Tab 10.1 in Australia. Although not so as a matter of law, the practical effect of those injunctions is to deliver to Apple complete victory in respect of its claims for final injunctions in respect of that device. In addition, important questions of principle are raised in the present case. In broad terms, those questions concern the application of the governing principles explained by the High Court in *Beecham Group Ltd v Bristol Laboratories Pty Ltd* (1968) 118 CLR 618, *Australian Broadcasting Corporation v Lenah Game Meats* (2001) 208 CLR 199 and *O'Neill*. These are all powerful reasons why leave to appeal should be granted in the present case.

36 In any event, for reasons which we will explain when addressing the appeal itself, we think that the decision of the primary judge is attended by sufficient doubt to warrant its being reconsidered by the Full Court. If the decision of the primary judge was wrong, because its consequences are so significant for Samsung, we are also of the view that substantial injustice would result if leave were refused.

37 Accordingly, although Apple opposes the grant of leave to appeal, we consider that leave should be granted. Both parties accept that the grant or refusal of interlocutory relief will effectively finally dispose of the matter. We therefore propose to grant leave to appeal in



accordance with the draft Notice of Appeal. We note also that Apple has given notice of and intends to rely upon a Notice of Contention.

## THE PRINCIPLES ON APPEAL

38 In an appeal such as this, it is not enough that this Court might have made a different decision had it been in the position of the primary judge (*House v The King* (1936) 55 CLR 499 at 504–505 per Dixon, Evatt and McTiernan JJ). As Dixon, Evatt and McTiernan JJ said in *House v The King* at 505:

If the judge acts upon a wrong principle, if he allows extraneous or irrelevant matters to guide or affect him, if he mistakes the facts, if he does not take into account some material consideration, then his determination should be reviewed and the appellate court may exercise its own discretion in substitution for his if it has the materials for doing so. It may not appear how the primary judge has reached the result embodied in his order, but, if upon the facts it is unreasonable or plainly unjust, the appellate court may infer that in some way there has been a failure properly to exercise the discretion which the law reposes in the court of first instance. In such a case, although the nature of the error may not be discoverable, the exercise of the discretion is reviewed on the ground that a substantial wrong has in fact occurred. Unlike courts of criminal appeal, this court has not been given a special or particular power to review sentences imposed upon convicted persons. Its authority to do so belongs to it only in virtue of its general appellate power. But even with respect to the particular jurisdiction conferred on courts of criminal appeal, limitations upon the manner in which it will be exercised have been formulated.

See also *Norbis v Norbis* (1986) 161 CLR 513 at 518–519 per Mason and Deane JJ.

39 In later cases, justices of the High Court have said that, in respect of appeals against decisions involving discretionary judgment, there is a strong presumption in favour of the correctness of the decision appealed from and that that decision should be affirmed unless the appeal court is satisfied that it is clearly wrong (see *Australian Coal and Shale Employees' Federation v The Commonwealth* (1953) 94 CLR 621 at 627 per Kitto J; and *Mallet v Mallet* (1984) 156 CLR 605 at 634 per Wilson J).

40 These are the principles which we must apply in determining the present appeal.

## GROUNDINGS OF APPEAL

41 The grounds of appeal are as follows:



1. The primary judge erred in holding that the respondents established a prima facie case of infringement of Australian Patent Numbers 2005246219 (the **Touch Screen Patent**) and 2007286532 (the **Heuristics Patent**).
2. The primary judge erred in her application of *Australian Broadcasting Corporation v O'Neill* (2006) 227 CLR 57 by failing:
  - (a) to identify a sufficient probability of success that the respondents would establish their entitlement to final relief injunctive relief so as to justify the grant of an interlocutory injunction pending trial;
  - (b) to consider and evaluate the strength of the respondents' case for infringement of the Touch Screen Patent against the strength of the appellants' case for non-infringement and invalidity of the Touch Screen Patent;
  - (c) to consider and evaluate the strength of the respondents' case for infringement of the Heuristics Patent against the strength of the appellants' case for non-infringement; and
  - (d) to determine whether the respondents had shown sufficient likelihood they would obtain final injunctive relief at trial to justify the grant of an interlocutory injunction pending trial having regard to:
    - (i) the nature of the rights asserted by the respondents' infringement case;
    - (ii) the practical consequences of granting interlocutory relief when measured against the adequacy of damages as a remedy; and
    - (iii) the balance of convenience.
3. The primary judge erred by concluding that:
  - (a) the refusal of interlocutory relief would negate the respondents' statutory rights; and
  - (b) this factor offset or overcame the fact that the grant of an interlocutory injunction would operate as final relief against the appellants.
4. The primary judge erred in holding that:
  - (a) the appellants' unwillingness to accept an early final hearing was a relevant consideration in the assessment of the balance of convenience; and
  - (b) that unwillingness turned the balance of convenience against the appellants.
5. The primary judge erred in holding that:
  - (a) the appellants proceeded with their "eyes wide open"; and
  - (b) this was a relevant consideration that inclined the balance of convenience against the appellants.
6. The primary judge erred in holding that the requirement that the existence of a prima facie case should not be considered in isolation from the balance of convenience was satisfied by finding that:
  - (a) there was a prima facie case for relief in respect of two separate registered patents; and

- (b) this factor weighed the balance of convenience against the appellants.

42 By its Notice of Appeal Samsung seeks discharge of orders 3 and 4 made by the primary judge on 14 October 2011. In fact, order 3 provides for the exclusion of certain paragraphs from her Honour's published reasons. The interlocutory injunctions are contained in orders 4 and 5. We propose to treat the Notice of Appeal as addressing those orders. Samsung also seeks its costs of its Application for Leave to Appeal and the Appeal. It does not seek an order for costs in respect of the interlocutory hearing before the primary judge. Those costs were reserved by her Honour.

### THE NOTICE OF CONTENTION

43 Apple has filed a Notice of Contention. The alternative grounds upon which Apple seeks to uphold the judgment are as follows:

1. If (which is denied) the primary judge erred in any respect alleged in paragraph 2 of the draft notice of appeal, her Honour ought to have found (and the Full Court should find) that the Respondents had established a sufficient likelihood of success to justify the preservation of the *status quo* pending the trial, having regard to:
  - (a) the nature of the rights asserted by the Respondents;
  - (b) the strength of the Respondents' case for infringement of claim 6 of Australian Patent 2005246219 (the **Touch Screen Patent**), considered against the strength of the Appellants' case for invalidity of that claim;
  - (c) the strength of the Respondents' case for infringement of claims 1 and 55 of Australian Patent 2007286532;
  - (d) the practical consequences likely to flow from the grant of an interlocutory injunction against the Appellants; and
  - (e) the balance of convenience.
2. The primary judge ought also to have found (and the Full Court should find) that:
  - (a) the Appellants had not established a *prima facie* case of invalidity of claim 6 of the Touch Screen Patent;
  - (b) the desirability of preserving the *status quo* in the market for tablet computers strongly favoured the grant of an interlocutory injunction;
  - (c) the fact that, as her Honour found, the Appellants knew or should have known from 15 April 2011 of the likelihood that the Respondents would enforce their rights, strongly favoured the grant of an interlocutory injunction; and
  - (d) (to the extent that her Honour did not so find) the balance of convenience should be assessed having regard to the fact that the

rights asserted at the interlocutory hearing were capable of being determined at an early final hearing.

## INTERLOCUTORY INJUNCTIONS

### The Purpose of Interlocutory Relief

44 This Court's power to grant injunctive relief in patent infringement cases is conferred by s 122 of the *Patents Act 1990* (Cth) (**the Patents Act**). The power to grant interlocutory relief is conferred by s 23 of the *Federal Court of Australia Act 1976* (Cth). Although both provisions confer power in very general terms, the power to grant interlocutory relief is limited by the purpose for which it is conferred. As the majority of the High Court said in *Patrick Stevedores Operations No 2 Pty Ltd v Maritime Union of Australia* (1998) 195 CLR 1 at [35]:

The general principle which informs the exercise of the power to grant interlocutory relief is that the court may make such orders, at least against the parties to the proceeding against whom final relief might be granted, as are needed to ensure the effective exercise of the jurisdiction invoked. The Federal Court had jurisdiction to make interlocutory orders to prevent frustration of its process in the present proceedings.

45 A footnote refers to *Tait v The Queen* (1962) 108 CLR 620. That case concerned an application to stay the execution of a convicted murderer who was insane. The reference in *Patrick* appears to be to a comment by Dixon CJ during argument that:

I have never had any doubt that the incidental powers of the Court can preserve any subject matter, human or not, pending a decision.

46 In *Cardile v LED Builders Pty Ltd* (1999) 198 CLR 380, which was a case where the High Court considered the juridical foundation of the *Mareva* order, a majority of the Justices (Gaudron, McHugh, Gummow and Callinan JJ) discussed the development of the remedy of injunction. At [29] (p 394), their Honours said that, in circumstances where the source of the Court's power to grant an injunction is a specific provision in a statute (as is the case here), the term "*injunction*" takes its content from the provisions of the particular statute in question.

47 At [89] (p 240) in *Lenah Game Meats*, Gummow and Hayne JJ repeated this proposition. In that case, their Honours said that:

Where interlocutory injunctive relief is sought in some special statutory jurisdiction which uses the term “injunction” to identify a remedy for which it provides, that term takes its colour from the statutory regime in question (*Cardile v LED Builders Pty Ltd* (1999) 198 CLR 380 at 394 [28]–[29]).

48 Section 122(1) of the Patents Act empowers the Court to restrain an infringement of an Australian registered patent “... *subject to such terms, if any, as the court thinks fit*”. At [31] (pp 395–396) in *Cardile*, the plurality also said that regard must be had to the existence of a legal or equitable right which the injunction protects against invasion or threatened invasion. Their Honours then cited with approval the observation made by Ashburner in his book: *The Principles of Equity* (2<sup>nd</sup> edn, 1933) at 335 that:

The power of the court to grant an injunction is limited by the nature of the act of which it is sought to restrain.

49 In the present case the parties accept that the orders made below are effectively final in that the commercial viability of the Galaxy Tab 10.1 in the Australian market will be lost. We doubt whether the grant of interlocutory relief in the present case avoids frustration of the Court’s process. When one keeps in mind that the Court must seek to do justice to both parties, such a consequence for Samsung can hardly be described as other than a frustration of the Court’s process. In our view, the task facing her Honour was not simply to grant or refuse an injunction. The task was to protect the Court’s process from frustration, as best as could be done in the circumstances, following the guidelines laid down by the High Court in the cases to which we will refer in the next section of these reasons. An “all or nothing” outcome was unlikely to produce that result.

50 In this case, given the primary judge’s findings as to the merits of both parties’ cases and the even weighting attributed by her Honour to the relevant factors under consideration in her assessment of the balance of convenience, an arrangement which shared the risk of loss was the best that could be done to avoid frustration of the Court’s process, at least in the absence of any conduct by either party which effectively made it the author of its own misfortune. The question, then, was whether Samsung’s conduct in refusing an early trial on the conditions offered, together with whatever may be made of the “eyes wide open” factor and the fact that Apple relies on two patents rather than one leads to the conclusion that Samsung should be denied a trial on the merits. In framing the question in this way, we are not seeking to undermine the approach to the question of interlocutory relief prescribed in the cases. We are rather trying to determine whether her Honour adopted that process.



51 It is true that an applicant for interlocutory relief need not necessarily show that its case is, on balance, likely to succeed. However the exercise described in *O'Neill* may lead to the conclusion that in order sufficiently to recognize the serious consequences for the respondent of the grant of interlocutory relief, the applicant should reasonably be expected to demonstrate such likelihood. Where the merits and the question of convenience are fairly evenly balanced, there will be no injustice in requiring that the party seeking relief demonstrate good prospects of success before imposing almost certain prejudice on the other side.

### The Correct Approach

52 In *Lenah Game Meats*, a majority of the High Court held that, where an interlocutory injunction is sought (inter alia) in respect of private rights, it is necessary to identify the legal or equitable rights which are to be determined at the trial and in respect of which the final relief is sought. As Gleeson CJ said at [15] (p 218):

If the respondent cannot show a sufficient colour of right of the kind sought to be vindicated by final relief, the foundation of the claim for interlocutory relief disappears.

See also [8] to [21] (pp 216–220) (per Gleeson CJ); [59] to [61] (pp 231–232) (per Gaudron J); and [86] to [92] (pp 239–242); [98] to [100] (pp 244–246); and [105] (p 248) (per Gummow and Hayne JJ). At [10] (p 216), Gleeson CJ also specifically cited with approval Spry, *The Principles of Equitable Remedies* (5th edn, 1997) (pp 446–456).

53 At [13] (p 218), Gleeson CJ expressly approved the following passage from the judgment of Mason ACJ in *Castlemaine Tooheys Ltd v South Australia* (1986) 161 CLR 148 at 153:

In order to secure such an injunction the plaintiff must show (1) that there is a serious question to be tried or that the plaintiff has made out a prima facie case, in the sense that if the evidence remains as it is there is a probability that at the trial of the action the plaintiff will be held entitled to relief; (2) that he will suffer irreparable injury for which damages will not be an adequate compensation unless an injunction is granted; and (3) that the balance of convenience favours the granting of an injunction.

54 These remarks made by Mason ACJ which were approved by Gleeson CJ in *Lenah Game Meats* echo the observations made by the High Court in *Beecham*.

55

In *Beecham*, the High Court (Kitto, Taylor, Menzies and Owen JJ) said (at 622–623):

The Court addresses itself in all cases, patent as well as other, to two main inquiries. The first is whether the plaintiff has made out a prima facie case, in the sense that if the evidence remains as it is there is a probability that at the trial of the action the plaintiff will be held entitled to relief: *Preston v. Luck* (1884) 27 Ch.D. 497, at p.506; *Challender v. Royle* (1887) 36 Ch.D. 425, at p.436. How strong the probability needs to be depends, no doubt, upon the nature of the rights he asserts and the practical consequences likely to flow from the order he seeks. Thus, if merely pecuniary interests are involved, “some” probability of success is enough: *Attorney-General v. Wigan Corporation* (1854) 5 De G.M. & G. 52, at pp. 53, 54 [43 E.R. 789] and in general it is right to say, as Roper C.J. in Eq. said in *Linfield Linen Pty. Ltd. v. Nejjain* (1951) 51 S.R. (N.S.W.) 280, at p. 281

“There are disputes of fact as to a number of matters ... but this being an application for an interlocutory injunction I look at the facts simply to ascertain whether the plaintiff has established a fair prima facie case and a fair probability of being able to succeed in that case at the hearing.”

Thus where the defendant goes into evidence on the interlocutory application the Court does not undertake a preliminary trial, and give or withhold interlocutory relief upon a forecast as to the ultimate result of the case. James L.J. explained the general attitude of the Court when he said, in *Plimpton v. Spiller* (1876) 4 Ch.D. 286, at p.289, in relation to a patent action where there was no outstanding issue as to validity:

“... the Court, not forming an opinion very strongly either one way or the other whether there is an infringement or not, but considering it as a fairly open question to be determined at the hearing, and not to be prejudiced by any observation in the first instance, reserves the question of infringement as one which will have to be tried at the hearing, and which it will then have to consider.”

And he proceeded to discuss what was the best mode of keeping things in statu quo:

“... for that”—he said—“is what the Court has to do—to keep things in statu quo—until the final decision of the question.”

This is generally true, but in a particular case it may be that although the plaintiff has shown a probability of success other considerations make it unjust to grant an injunction, especially if another form of interlocutory relief is possible. The second inquiry is directed to this aspect of the matter. It is whether the inconvenience or injury which the plaintiff would be likely to suffer if an injunction were refused outweighs or is outweighed by the injury which the defendant would suffer if an injunction were granted. It is of course to be remembered that if an injunction be granted it will be upon terms of the plaintiff submitting, in the event of his ultimately failing, to such order as to damages as the Court may make in order to compensate the defendant for any injury caused by the injunction; and likewise it is to be remembered that if the injunction be refused the defendant may be required to keep an account of the profits he makes from the course of conduct of which the plaintiff complains, so that, if he loses the case and the plaintiff elects under s. 118 of the *Patents Act* to recover the amount of those profits rather than damages, the quantum will be readily ascertainable.

56

In *Beecham*, after making the observations extracted at [55] above and after referring to certain matters of practice, the High Court proceeded to discuss the circumstances in play

in that case. In the course of that discussion, the Court noted that the validity of the relevant patents had only recently been put in issue and then only faintly. Invalidity was, therefore, not really in issue or contested before the High Court in *Beecham*. On the issue of infringement, the Court said that, upon the material then before the Court, *Beecham* had shown so substantial a probability of succeeding at the trial that it was entitled to have the status quo preserved. Implicit in that remark was the proposition that the Court had assessed the strength of that probability and had come to the view that it justified injunctive relief. The Court went on to hold that the keeping of accounts would not adequately meet the circumstances which obtained in *Beecham*.

57 In *O'Neill* at [65] (pp 81–82), Gummow and Hayne JJ said that the relevant principles were those explained in *Beecham*. Gleeson CJ and Crennan J agreed with that proposition. When referring to the well-known passage in *Beecham* at 622–623 (which we have extracted at [55] above), Gummow and Hayne JJ then said, at [65] (pp 81–82), that, when considering an application for an interlocutory injunction, the Court must address itself to two main inquiries (viz has the plaintiff established a *prima facie* case in the sense explained in *Beecham* and does the balance of convenience and justice favour the grant of an injunction or the refusal of that relief). Their Honours then observed:

By using the phrase “prima facie case”, their Honours did not mean that the plaintiff must show that it is more probable than not that at trial the plaintiff will succeed; it is sufficient that the plaintiff show a sufficient likelihood of success to justify in the circumstances the preservation of the status quo pending the trial. That this was the sense in which the Court was referring to the notion of a prima facie case is apparent from an observation to that effect made by Kitto J in the course of argument [(1968) 118 CLR 618 at 620]. With reference to the first inquiry, the Court continued, in a statement of central importance for this appeal [(1968) 118 CLR 618 at 622]:

“How strong the probability needs to be depends, no doubt, upon the nature of the rights [the plaintiff] asserts and the practical consequences likely to flow from the order he seeks.”

58 At [68] to [72] (pp 83 and 84), their Honours went on to explain the similarities and differences between the test expounded in *Beecham* and the test articulated in *American Cyanamid Co v Ethicon Ltd* [1975] AC 396 as follows:

68. Lord Diplock was at pains to dispel the notion, which apparently had persuaded the Court of Appeal to refuse interlocutory relief, that to establish a prima facie case of infringement it was necessary for the plaintiff to demonstrate more than a 50 per cent chance of ultimate success. Thus Lord Diplock remarked:



“The purpose sought to be achieved by giving to the court discretion to grant such injunctions would be stultified if the discretion were clogged by a technical rule forbidding its exercise if upon that incomplete untested evidence the court evaluated the chances of the plaintiff's ultimate success in the action at 50 per cent or less, but permitting its exercise if the court evaluated his chances at more than 50 per cent.”

- 69 In *Beecham*, the primary judge, McTiernan J, had refused interlocutory relief on the footing that, while he could not dismiss the possibility that the defendant might not fail at trial, the plaintiff had not made out a strong enough case on the question of infringement. Hence the statement by Kitto J in the course of argument in the Full Court that it was not necessary for the plaintiff to show that it was more probable than not that the plaintiff would succeed at trial.
- 70 When *Beecham* and *American Cyanamid* are read with an understanding of the issues for determination and an appreciation of the similarity in outcome, much of the assumed disparity in principle between them loses its force. There is then no objection to the use of the phrase “serious question” if it is understood as conveying the notion that the seriousness of the question, like the strength of the probability referred to in *Beecham*, depends upon the considerations emphasised in *Beecham*.
- 71 However, a difference between this Court in *Beecham* and the House of Lords in *American Cyanamid* lies in the apparent statement by Lord Diplock that, provided the court is satisfied that the plaintiff's claim is not frivolous or vexatious, then there will be a serious question to be tried and this will be sufficient. The critical statement by his Lordship is “[t]he court no doubt must be satisfied that the claim is not frivolous or vexatious; in other words, that there is a serious question to be tried” [[1975] AC 396 at 407]. That was followed by a proposition which appears to reverse matters of onus [[1975] AC 396 at 408]:

So *unless* the material available to the court at the hearing of the application for an interlocutory injunction *fails to disclose* that the plaintiff has any real prospect of succeeding in his claim for a permanent injunction at the trial, the court should go on to consider whether the balance of convenience lies in favour of granting or refusing the interlocutory relief that is sought. (emphasis added)

Those statements do not accord with the doctrine in this Court as established by *Beecham* and should not be followed. They obscure the governing consideration that the requisite strength of the probability of ultimate success depends upon the nature of the rights asserted and the practical consequences likely to flow from the interlocutory order sought.

- 72 The second of these matters, the reference to practical consequences, is illustrated by the particular considerations which arise where the grant or refusal of an interlocutory injunction in effect would dispose of the action finally in favour of whichever party succeeded on that application [See the judgment of McLelland J in *Kolback Securities Ltd v Epoch Mining NL* (1987) 8 NSWLR 533 at 535-536 and the article by Sofronoff, “*Interlocutory Injunctions Having Final Effect*”, Australian Law Journal, vol 61 (1987) 341.95]. The first consideration mentioned in *Beecham*, the nature of the rights asserted by the plaintiff, redirects attention to the present appeal.



59 Both *Beecham* and *American Cyanamid* were cases of patent infringement. The appeal in each case resulted in the grant of an interlocutory injunction in favour of the patentee. The critical integer in the test explained in *Beecham* is the need for the Court to assess the strength of the probability of ultimate success on the part of the plaintiff. The strength of that probability will depend upon the nature of the rights asserted and the practical consequences likely to flow from the grant of the injunction which is sought. The emphasis in *Beecham* is on the need to assess the plaintiff's probability of success at trial. The extent of the strength required will vary from case to case.

60 At [19] (p 68) in *O'Neill*, Gleeson CJ and Crennan J said:

As Doyle CJ said in the last-mentioned case, in all applications for an interlocutory injunction, a court will ask whether the plaintiff has shown that there is a serious question to be tried as to the plaintiff's entitlement to relief, has shown that the plaintiff is likely to suffer injury for which damages will not be an adequate remedy, and has shown that the balance of convenience favours the granting of an injunction. These are the organising principles, to be applied having regard to the nature and circumstances of the case, under which issues of justice and convenience are addressed. We agree with the explanation of these organising principles in the reasons of Gummow and Hayne JJ. (See [65]–[72], and their reiteration that the doctrine of the Court established in *Beecham Group Ltd v Bristol Laboratories Pty Ltd* (1968) 118 CLR 618 should be followed. See also *Firth Industries Ltd v Polyglas Engineering Pty Ltd* (1975) 132 CLR 489 at 492 per Stephen J; *Winthrop Investments Ltd v Winns Ltd* [1975] 2 NSWLR 666 at 708 per Mahoney JA; *World Series Cricket Pty Ltd v Parish* (1977) 16 ALR 181 at 186 per Bowen CJ.)

61 The requirement that, in order to obtain an interlocutory injunction, the plaintiff must demonstrate that, if no injunction is granted, he or she will suffer irreparable injury for which damages will not be adequate compensation (the second requirement specified by Mason ACJ in *Castlemaine Tooheys* at p 153) was not mentioned in *Beecham*. Nor was it referred to by Gummow and Hayne JJ in *O'Neill*. Nonetheless, Gleeson CJ and Crennan J included that requirement in their articulation of the relevant “organising principles” (at [19] (p 68) in *O'Neill*). They also agreed with the explanation of those principles given by Gummow and Hayne JJ at [65]–[72] (pp 81–84) in the same case. One way of reconciling the views of Gleeson CJ and Crennan J with those of Gummow and Hayne JJ on this point is to treat “irreparable harm” as one of the matters which would ordinarily need to be addressed in the Court's consideration of the balance of convenience and justice rather than as a distinct and antecedent consideration. This has been the approach taken by some judges (eg Ashley J in *AB Hassle v Pharmacia (Australia) Pty Ltd* (1995) 33 IPR 63 at 76–77; Gordon J in *Marley New Zealand Ltd v Icon Plastics Pty Ltd* [2007] FCA 851 at [3]; Kenny J in *Medrad*

*Inc v Alpine Pty Ltd* (2009) 82 IPR 101 at [38] (p 109); and Yates J in *Instyle Contract Textiles Pty Ltd v Good Environmental Choice Services Pty Ltd (No 2)* [2010] FCA 38 at [55]–[64]).

62 The assessment of harm to the plaintiff, if there is no injunction, and the assessment of prejudice or harm to the defendant, if an injunction is granted, is at the heart of the basket of discretionary considerations which must be addressed and weighed as part of the Court's consideration of the balance of convenience and justice. The question of whether damages will be an adequate remedy for the alleged infringement of the plaintiff's rights will always need to be considered when the Court has an application for interlocutory injunctive relief before it. It may or may not be determinative in any given case. That question involves an assessment by the Court as to whether the plaintiff would, in all material respects, be in as good a position if he were confined to his damages remedy, as he would be in if an injunction were granted (see the discussion of this aspect in Spry, *The Principles of Equitable Remedies* (8th edn, 2010) at pp 383–389; at pp 397–399; and at pp 457–462).

63 The interaction between the Court's assessment of the likely harm to the plaintiff, if no injunction is granted, and its assessment of the adequacy of damages as a remedy, will always be an important factor in the Court's determination of where the balance of convenience and justice lies. To elevate these matters into a separate and antecedent inquiry as part of a requirement in every case that the plaintiff establish "irreparable injury" is, in our judgment, to adopt too rigid an approach. These matters are best left to be considered as part of the Court's assessment of the balance of convenience and justice even though they will inevitably fall to be considered in most cases and will almost always be important considerations to be taken into account.

64 Gleeson CJ also observed in *Lenah Game Meats* (at [18] (p 219)), that, where there is little or no room for argument about the legal basis of the applicant's claimed private right, the court will be more easily persuaded at an interlocutory stage that a *prima facie* case has been established. The court will then move on to consider discretionary considerations, including the balance of convenience and justice. But, as his Honour also observed at [18] (p 219):

The extent to which it is necessary, or appropriate, to examine the legal merits of a plaintiff's claim for final relief, in determining whether to grant an interlocutory

injunction, will depend upon the circumstances of the case. There is no inflexible rule.

65 The resolution of the question of where the balance of convenience and justice lies requires the Court to exercise a discretion.

66 In exercising that discretion, the Court is required to assess and compare the prejudice and hardship likely to be suffered by the defendant, third persons and the public generally if an injunction is granted, with that which is likely to be suffered by the plaintiff if no injunction is granted. In determining this question, the Court must make an assessment of the likelihood that the final relief (if granted) will adequately compensate the plaintiff for the continuing breaches which will have occurred between the date of the interlocutory hearing and the date when final relief might be expected to be granted.

67 As Sundberg J observed in *Sigma Pharmaceuticals (Australia) Pty Ltd v Wyeth* (2009) 81 IPR 339 at [15] (p 342), when considering whether to grant an interlocutory injunction, the issue of whether the plaintiff has made out a *prima facie* case and whether the balance of convenience and justice favours the grant of an injunction are related inquiries. The question of whether there is a serious question or a *prima facie* case should not be considered in isolation from the balance of convenience. The apparent strength of the parties' substantive cases will often be an important consideration to be weighed in the balance: *Tidy Tea Ltd v Unilever Australia Ltd* (1995) 32 IPR 405 at [416] per Burchett J; *Aktiebolaget Hassle v Biochemie Australia Pty Ltd* (2003) 57 IPR 1 at [31] (p 10) per Sackville J; *Hexal Australia Pty Ltd v Roche Therapeutics Inc* (2005) 66 IPR 325 at [18] (p 329) per Stone J; and *Castlemaine Tooheys* at 154 per Mason ACJ.

68 It may also be necessary to consider and evaluate the impact that the grant or refusal of an injunction will have or is likely to have on third persons and the public generally.

69 In *Patrick* at [65] and [66] (pp 41–43), Brennan CJ and McHugh, Gummow, Kirby and Hayne JJ, in a joint judgment, expressly adopted a passage from Spry, *The Principles of Equitable Remedies* (5th edn, 1997) (at pp 402–403), which may be summarised as follows:

- (a) In assessing the balance of convenience in an interlocutory injunction application, the interests of the public and third persons are relevant and have more or less weight according to other material circumstances;
- (b) Whether those interests tend to favour the grant or the refusal of an injunction in any given case depends upon the circumstances of that case; and
- (c) Hardship visited upon third persons or the public generally by the grant of an interlocutory injunction will rarely be decisive.

70 In order to address the balance of convenience and justice in the present case, it is necessary to consider the nature and strength of Apple's case and the circumstances in which Samsung decided to compete with Apple by importing the Galaxy Tab 10.1 into Australia and by promoting and selling that device in this country.

71 Furthermore, there are some kinds of case where, for the purpose of assessing where the balance of convenience and justice lies, it is desirable that the Court:

“... evaluate the strength of the plaintiff's case for final relief”

(Per McLelland J in *Kolback Securities Ltd v Epoch Mining NL* (1987) 8 NSWLR 533 at 536A-D).

72 Lord Diplock considered the point in *NWL Ltd v Woods* [1979] 3 All ER 614 at 625, and emphasised that the rule concerning a serious issue to be tried propounded in *American Cyanamid* was not developed in the context of a case where the grant of a interlocutory injunction would, in effect, finally determine the matter at hand in favour of whichever party was successful in the application because there would be nothing left on which it was in the unsuccessful party's interest to proceed to trial.

73 Diplock LJ continued (at 626):

Where ... the grant or refusal of the interlocutory injunction will have the practical effect of putting an end to the action because the harm that will have been already caused to the losing party by its grant or its refusal is complete and of a kind for which money cannot constitute any worthwhile recompense, the degree of likelihood that the plaintiff would have succeeded in establishing his right to an injunction if the action had gone to trial is a factor to be brought into the balance by the judge in weighing the risks that injustice may result from his deciding the application one way rather than the other.



74 In *Kolback Securities Ltd v Epoch Mining NL*, McLelland J said (at 536):

... although normally the Court 'does not undertake a preliminary trial, and give or withhold interlocutory relief upon a forecast as to the ultimate result of the case' (*Beecham Group Ltd v Bristol Laboratories Pty Ltd* (1968) 118 CLR 618 at 622), there are some kinds of case in which for the purpose of seeing where lies the balance of convenience (or more specifically 'the balance of the risk of doing an injustice' - see per May LJ in *Cayne v Global Natural Resources plc* [1984] 1 All ER 225 at 237, cf per Brennan J in *Brayson Motors Pty Ltd v Federal Commissioner of Taxation* (1983) 57 ALJR 288 at 292; 46 ALR 279 at 285), it is desirable for the Court to evaluate the strength of the plaintiff's case for final relief: see eg, *Brayson Motors Pty Ltd v Federal Commissioner of Taxation* (at 292; 285); *Castlemaine-Tooheys Ltd v South Australia* at 682; 559. One class of case to which this applies is where the decision to grant or refuse an interlocutory injunction will in a practical sense determine the substance of the matter in issue ...

See also: *O'Neill* at [72] per Gummow and Hayne JJ; *Australian Competition & Consumer Commission v Allphones Retail Pty Ltd (No 2)* (2009) 253 ALR 324 per Foster J at [27]–[31]; *Yara Australia Pty Ltd v Burrup Holdings Ltd* (2011) 80 ACSR 641 per Barker J [79]–[85].

### The Primary Judge's Approach

75 At [20]–[36] of her reasons, the primary judge set out the legal principles which she intended to apply. Her Honour said:

- (a) In *O'Neill*, at [65] (p 81–82), Gummow and Hayne JJ observed that it is sufficient that the plaintiff show a sufficient likelihood of success to justify in the circumstances the preservation of the status quo until the trial. How strong that probability needs to be depends upon the nature of the rights which the plaintiff asserts and the practical consequences likely to flow from the order which he seeks.
- (b) Where the grant or refusal of an interlocutory injunction would, in effect, dispose of the action finally in favour of whichever party succeeds in the interlocutory application, the plaintiff must demonstrate a strong probability of success.
- (c) Where, in a patent infringement case, the defendant asserts that the patent sued upon is invalid, the Court should bear in mind that a granted patent is *prima facie* evidence of validity. In order to proceed to registration, the patent has to survive the processes undertaken by the registering authority. These include the process of examination of the patent and the opportunity for interested persons to oppose the grant. The system has a degree of stringency built into it. These matters give rise to a presumption of validity in favour of registered patents. This presumption can be displaced but cannot

be ignored. It forms part of the plaintiff/patentee's *prima facie* case. These propositions are supported by *Martin Engineering Co v Trison Holdings Pty Ltd* (1988) 81 ALR 543 and other cases referred to by the primary judge at [25]–[28] of her reasons.

- (d) In a patent case, where the defendant asserts that the patent sued upon is invalid, unless the case for invalidity is sufficiently strong (at the provisional level) to qualify the conclusion that, overall, the plaintiff has a serious question, or probability of success, the Court should move to consider the adequacy of damages, the balance of convenience and other discretionary matters. These propositions are extracted from the judgment of Jessup J in *Interpharma Pty Ltd v Commissioner of Patents* (2008) 79 IPR 261 at [17] (p 267). The primary judge adopted these propositions not only for reasons of comity but because she agreed with them (see [30]–[33] of her reasons).
- (e) In a patent case, where invalidity is raised at the interlocutory stage, it is necessary to assess the strength of the plaintiff's case of infringement and the defendant's case of invalidity, paying due regard to the fact that the plaintiff has a registered patent.
- (f) In the present case, the asserted invalidity (based upon lack of novelty), does not depend simply upon the language of the claim. Here, the asserted invalidity concerns the understanding of the claim by a skilled reader and the nature of the disclosure of two prior publications to such a skilled reader.
- (g) "... if Apple establishes a *prima facie* case of infringement in the O'Neill sense, having already established a *prima facie* case of validity by reason of registration of the patents, it will be necessary to ascertain whether Samsung's case on invalidity is sufficiently strong such that, if the evidence remains as it is, there is no longer a sufficient likelihood that at trial Apple will be entitled to relief for infringement of valid patent claims so as to justify the maintenance of the status quo. That would require Samsung to be restrained from selling the [Galaxy Tab 10.1]."

76 At [37]–[58], her Honour dealt with certain matters under the heading "*Assessment of whether there is a prima case for infringement of the interlocutory patents*". In those paragraphs, her Honour addressed the Touch Screen Patent. Her Honour set out, in summary form, the competing contentions advanced by each of Apple and Samsung as to the correct construction of the Touch Screen Patent. At [58] (which is extracted in full at [10] above), her Honour said that, if Apple's construction of claim 6 in the Touch Screen Patent is accepted, it had made out a *prima facie* case of infringement of claim 6.

77 At [59]–[88], her Honour summarised the parties’ competing contentions directed to the asserted invalidity of claim 6 in the Touch Screen Patent.

78 At [74]–[75] (which are extracted in full at [11] above), under the heading “*Consideration*”, her Honour said that Samsung had established a *prima facie* case of invalidity of claim 6 for lack of novelty (based upon the Leeper Article) but that that case did not displace Apple’s *prima facie* case of infringement.

79 At [76]–[88], her Honour addressed the second disclosure relevant to the lack of novelty case advanced by Samsung. This was the disclosure said to have been made in the Mulligan patent application.

80 At [87]–[88] (which are extracted in full at [12] above), under the heading “*Consideration*”, her Honour reached the same conclusion as she had reached based upon the Leeper Article.

81 At [89]–[127], her Honour addressed the Heuristics Patent. At [100], she identified the two issues regarding claim 1 in that patent with which she had to deal as:

- the construction of claim 1 and whether the Angle of Movement Integer qualifies the determination or implementation by the heuristic, or the command of the use; and
- whether the Australian Galaxy Tab 10.1 infringes claim 1 on either construction.

82 At [101]–[120], she set out the parties’ arguments directed to those two issues and summarised the effect of them at [121]–[124]. At [125]–[127] (which are extracted in full at [13] above), her Honour said that both constructions of claim 1 were “*open*”. She went on to observe that, if Apple’s construction is accepted, Samsung will have infringed claim 1.

83 Her Honour then moved on to discuss the balance of convenience (as to which see [128]–[243]). She did so by reference to a number of discretionary considerations. The only mention of Apple’s *prima facie* case in this part of her Honour’s reasons occurred at [238]–[239]. Under the heading “*Strength of prima facie case*”, her Honour said:

238 As Sundberg J put it in *Sigma* at [15], the issue of whether there exists a *prima facie* case should not be considered in isolation from the balance of convenience. The apparent strength of the parties’ substantive case is often an important consideration to be weighed in the balance of convenience (*Tidy*

*Tea Ltd v Unilever Australia Ltd* (1995) 32 IPR 405 at 416; *Interpharma* at [16]; *Sigma* at [15]).

- 239 Recognising that any order must relate only to the specific infringements alleged, an overall assessment of Apple's *prima facie* case for relief is strengthened by the fact that I have found that it has a *prima facie* case for relief in respect of two separate, registered patents. Accordingly, I weigh this factor in favour of Apple.

84 Her Honour concluded her Reasons with [244] (which is extracted in full at [24] above). In that paragraph, her Honour said that Apple had established a *prima facie* case for injunctive relief in respect of the alleged infringement of the Heuristics Patent. She then said that:

... Even though Samsung has established a *prima facie* case for the invalidity of the Touch Screen Patent, Apple has also established a *prima facie* case for an entitlement to relief on the Touch Screen Patent. The balance of convenience tilts in Apple's favour. I am satisfied, within the test in *O'Neill*, that it is appropriate to restrain the launch of the Australian Galaxy Tab 10.1.

85 Samsung submitted that the primary judge committed the following errors of principle:

- (a) Notwithstanding that, at [21] of her reasons, her Honour correctly identified the organising principles which govern the grant or refusal of an interlocutory injunction, her Honour nonetheless:
  - (i) Did not assess the strength of Apple's case of infringement of any of the relevant patent claims for the purpose of coming to a view as to whether the strength of that case justified the grant of an injunction;
  - (ii) Did not weigh or assess the strength of Apple's case of infringement against Samsung's case for invalidity in respect of claim 6 in the Touch Screen Patent; and
  - (iii) Did not weigh or assess the strength of Apple's case of infringement when identifying and weighing relevant factors as part of her assessment as to where the balance of convenience and justice lay in the present case.
- (b) All that her Honour did was to set out the competing contentions of the parties on infringement and invalidity without assessing those contentions as she was required to do. This led the primary judge to describe both parties' conclusions as to the correct construction of the Heuristics Patent as "open" and to move from that observation to



conclude in respect of that patent that Apple had made out a *prima facie* case of infringement "... within the meaning of *O'Neill*". Similar thinking led her Honour to conclude that Apple had made out a *prima facie* case of infringement of the Touch Screen Patent which was not displaced or diminished sufficiently by Samsung's *prima facie* case of invalidity of claim 6.

- (c) The primary judge ought to have held that Apple's construction of claim 6 was not seriously arguable or, alternatively, that its construction of claim 6 was so weak that it did not establish a sufficient likelihood that it would establish infringement at trial to justify interlocutory relief in light of a proper assessment of the balance of convenience and justice. This is the case without considering Samsung's arguments directed to establishing the invalidity of the Touch Screen Patent.
- (d) The primary judge failed to consider the extent to which the *prima facie* case that the Touch Screen Patent was invalid affected the likelihood of Apple obtaining final relief.
- (e) The primary judge failed to evaluate the competing constructions of the Heuristics Patent. She should have found that there was no arguable case of infringement of the Heuristics Patent. Alternatively, she should have found that Apple's case was so weak that it did not justify the grant of an interlocutory injunction.
- (f) The primary judge failed to consider the strength of Apple's case of infringement and Samsung's case for invalidity of claim 6 when assessing the balance of convenience and justice.

86 At [122]–[150] below, we consider whether, on the evidence before the primary judge, Samsung had made out a *prima facie* case that the Touch Screen Patent was invalid for lack of novelty. At [150], we conclude that Samsung has failed to make out such a case. Strictly speaking, therefore, the need for this Court to consider the impact of a finding in favour of Samsung that it has established a *prima facie* case of invalidity on Apple's case for interlocutory injunctive relief does not arise. For this reason, we have not addressed the correctness of the observations made by Jessup J at [17] (lines 13–25) (p 267) in *Interpharma Pty Ltd* which were accepted as correct by the primary judge in the present case. Our silence on the matter should not be taken, however, as agreement with those observations.

87 In its submissions to this Court, Apple pointed to her Honour's exposition of the relevant principles at [20]–[36] of her reasons and submitted that her Honour applied those principles in the course of her reasons. In particular, Apple submitted that her Honour undertook the necessary evaluation of the strength of Apple's case of infringement and, indeed, Samsung's case for invalidity, and took the results of her evaluation into account both when determining whether Apple had established a sufficient *prima facie* case of infringement and in determining where the balance of convenience and justice lay. Apple pointed to a number of references in her Honour's reasons to the expression "*prima facie case*" as indicating that her Honour had conducted the requisite evaluation. Particular reliance was placed upon [36], [58], [75], [125]–[127] and [238]–[244] of her Honour's reasons. But, with great respect to her Honour, neither in those paragraphs nor anywhere else in her reasons is there revealed any assessment or evaluation of Apple's case of infringement. Her Honour was obliged to make such an assessment for the purpose of deciding whether Apple had made out a *prima facie* case of sufficient strength to justify the grant of an interlocutory injunction to restrain infringement of its patents. In this case, given that the grant or refusal of interlocutory injunctive relief was going to have the practical consequence of deciding Apple's claims for final injunctions and thus deciding the commercial fate of the Galaxy Tab 10.1, Apple was required to demonstrate a relatively strong case.

88 In addition to deciding whether Apple had made out such a *prima facie* case, her Honour was also required to assess the strength of that case so that she could take into account her views on that matter in her assessment of the balance of convenience and justice.

89 The primary judge did not undertake either of these evaluative tasks. Her Honour's failure to do so constituted important errors which led her to grant interlocutory injunctive relief in circumstances where, for reasons which we will explain, she should not have done so. In our view, her decision was clearly wrong and should be set aside. The discretion falls to be re-exercised by this Court.

90 Apple submitted that this Court should remit the matter to her Honour rather than re-exercise the discretion because there is a substantial body of evidence not referred to on appeal which nonetheless bears upon the proper exercise of the discretion. We do not agree. The appeal has been brought on urgently. The underlying dispute has been regarded by both parties as urgent. The subject matter of the dispute is of great significance to both parties.

We are not persuaded that there is any material of importance relevant to the exercise of discretion which has not been drawn to our attention. We will, therefore, proceed to exercise the discretion ourselves.

### THE STRENGTH OF APPLE'S CASE

91 As we have noted, Apple based its entitlement to interlocutory injunctive relief on Samsung's threatened infringement of the Touch Screen Patent and the Heuristics Patent. Apple's allegation was that, if imported into or supplied in Australia, the Galaxy Tab 10.1 would infringe claim 6 of the Touch Screen Patent and claims 1 and 55 of the Heuristics Patent. No other claimed rights were advanced to support the grant of interlocutory injunctive relief.

92 Samsung's defence was that no case for infringement had been established because the Galaxy Tab 10.1 does not fall within the scope of those claims, properly construed. It submitted that, for this reason alone, Apple was not entitled to the interlocutory relief it claimed.

93 A significant issue between the parties was and remains the proper construction of the relevant patent claims. As we have noted, the primary judge concluded (at [58]) that Apple had made out a *prima facie* case for infringement on the basis that, if its construction of claim 6 of the Touch Screen Patent is accepted, then that claim would be infringed by the Galaxy Tab 10.1. Similarly, the primary judge concluded (at [127]) that, if Apple's construction of claim 1 of the Heuristics Patent prevails, the Galaxy Tab 10.1 would infringe that claim. The primary judge made no separate conclusion about the infringement of claim 55 of the Heuristics Patent, but noted (at [126]) that Samsung had directed no additional submissions towards the non-infringement of that claim.

94 Samsung's defence also included its allegation that claim 6 of the Touch Screen Patent is invalid because the invention it claimed is not novel when compared with the prior art base as it existed before 6 May 2004, the asserted priority date of that claim. As we have noted, Samsung's case was that the prior art base included the Leeper Article and the Mulligan patent application. Samsung's case was that each of these documents contains an explicit disclosure of the touch panel claimed in claim 6 of the Touch Screen Patent.

95 The primary judge found (at [75] and [88]) that, in light of the respective disclosures of the Leeper Article and the Mulligan patent application, Samsung had established a *prima facie* case that claim 6 of the Touch Screen Patent lacked novelty. We interpolate that, if that finding were to be translated into a final finding at trial, then claim 6 would be invalid and could not found a cause of action for patent infringement.

96 Notwithstanding her finding that Samsung had established a *prima facie* of invalidity in respect of claim 6, the primary judge concluded that this did not alter her conclusion that Apple had a *prima facie* case of infringement of that claim.

97 The primary judge's conclusions as to the existence of a *prima facie* case of infringement were the subject of considerable contest on the hearing of the appeal. Given the contention that her Honour proceeded in error in finding that a *prima facie* case of infringement had been established in respect of both the Touch Screen Patent and the Heuristics Patent, it is necessary for us to examine the competing contentions of the parties. It is also necessary for us to express our view as to the likelihood that injunctive relief for patent infringement would be granted at a final hearing, on the assumption that, at that hearing, the evidence remains as it was before the primary judge at the interlocutory hearing.

## The Touch Screen Patent

### *Infringement*

98 The Touch Screen Patent relates to electronic devices with touch screens that are capable of sensing multiple points of contact on the screen at the same time.

99 It is convenient to repeat claim 6 of the Touch Screen Patent:

6. A touch panel having a transparent capacitive sensing medium configured to detect multiple touches or near touches that occur at a same time and at distinct locations in a plane of the touch panel and to produce distinct signals representative of a location of the touches on the plane of the touch panel for each of the multiple touches, the transparent capacitive sensing medium comprising:

a first layer having a plurality of lines that are electrically isolated from one another and formed from a transparent conductive material; and

a second layer spatially separated from the first layer and having a plurality of lines that are electrically isolated from one another and formed from a transparent conductive material, the second conductive lines being positioned transverse to the first conductive lines, the intersection of transverse lines being positioned at different



locations in the plane of the touch panel, each of the conductive lines being operatively coupled to capacitive monitoring circuitry,

wherein the first layer and the second layer are disposed on two sides of an optically transmissive member.

100 Claim 6, in its present form, is the result of substantial amendments made to the Touch Screen Patent specification on 30 January 2009. These amendments removed a former dependency of claim 6 on claim 1 of the patent, and introduced three limitations to the touch panel that was formerly claimed in claim 6. The amendments to the specification also introduced, amongst other things, a consistory statement supporting the amended claim 6.

101 The first two limitations to the claim have significance for Samsung's case on invalidity. We will refer to them later.

102 The third limitation is the last integer of the present claim, namely that the first layer of lines and the second layer of lines are "disposed on two sides of an optically transmissive member". Leaving aside the issue of the alleged invalidity of the claim, Samsung's defence focused on this last integer. Its case was that claim 6, properly construed, claims a touch panel having, amongst other things, a first layer of conductive lines placed in contact with the surface of one side, and a second layer of conductive lines placed in contact with the surface of a second side, of a single optically transmissive member. It submitted that this follows from the ordinary meaning of the words "disposed" (put in a particular place) and "on" (positioned above and in contact with a supporting surface). It also placed reliance on the word "member" (a constituent part of any structural or composite whole) and contended that the words "two sides of an optically transmissive member" denote a single optically transmissive member that is not, itself, comprised of constituent parts or elements. It submitted that the touch screen of the Galaxy Tab 10.1 does not have this feature and therefore could not infringe the claim.

103 On the other hand Apple submitted that the word "disposed", as used in claim 6, refers to the relative placement of the two layers of conductive lines and that, by use of the words "disposed on", claim 6 requires no more than that the first and second layers be on either side of an optically transmissive member which may be made up of constituent parts or elements. It submitted that the touch screen of the Galaxy Tab 10.1 possesses this feature. Moreover, Apple submitted that, even if one were to accept Samsung's construction of

claim 6, the Galaxy Tab 10.1 would infringe that claim in any event because the first and second layers of conductive lines in the touch screen of that product are directly applied to an optically transmissive member.

104 This last submission focuses more precisely on the actual construction of the touch screen of the Galaxy Tab 10.1. It is significant because it underscores the fact that the question of infringement presently thrown up is not one that can be resolved simply by a choice between competing constructions of claim 6. It requires the further step of determining whether, as a matter of disputed fact, the Galaxy Tab 10.1 possesses the essential features of that claim. In the normal course such a question would be determined against the background of a body of evidence directed to the manner of construction of touch screens more generally, not simply the touch screen of the Galaxy Tab 10.1. Even the construction of the claim itself may involve a consideration of evidence of this kind, given that the claims are to be given a purposive construction through the eyes of the person skilled in the art, equipped with the common general knowledge in the art at the priority date of the relevant claim.

105 In the present case evidence was given about the construction of the touch screen of the Galaxy Tab 10.1 and about touch screens more generally. This evidence was given by Mr Phares and Associate Professor Cairns. We do not assume that this evidence represents all the evidence that the parties may wish to call on these topics at a final hearing. Much of the evidence was given in the form of confidential annexures and exhibits to affidavits.

106 On appeal, as before the primary judge, reliance was placed on a schematic showing the structure of the touch screen of the Galaxy Tab 10.1. The schematic was accompanied by a description. It is sufficient to state that, apart from two layers of transparent conductive material that have been arranged in electrically isolated lines, the touch panel of the Galaxy Tab 10.1 comprises layers of a number of different constituent materials that can each be described as “optically transmissive”. In the course of the argument on the appeal our attention was directed to layers D and E of the schematic. Apple’s case was that layers D and E together formed the “optically transmissive member” referred to in the last integer of claim 6. Apple also advanced an alternative case that layer D was the “optically transmissive member”.

107 The fact that Apple's case was advanced in the form of alternatives is significant. It illustrates the difficulty that Apple's case on infringement faces at this level of analysis. On the one hand Apple is required to argue that layers D and E, each of different material and each optically transmissive, are not separate members but constituents of the one optically transmissive member for the purposes of claim 6. On the other hand it would argue that each of layers D and E can be a separate and distinct optically transmissive member for the purposes of claim 6, but that, on the issue of infringement, layer E can be ignored.

108 On any view of things, it is difficult to accept on the present evidence that layer E can simply be ignored. But, more importantly, Apple's alternative argument proceeds on an acceptance that only layer D is the optically transmissive member referred to in claim 6, thereby undermining its contention that layers D and E are not to be regarded as separate and successive optically transmissive members but one single member.

109 The parties called in aid various passages of the specification of the Touch Screen Patent as providing part of the context in which claim 6 is to be construed. Samsung drew particular attention to passages on pages 14–15 and 17 of the specification that discuss embodiments of the invention and the method by which the electrically isolated lines are “generally” or “in most cases” disposed on the optically transmissive member. It is notable that, at least in the description on page 14 lines 31–34, the words “disposed on” and “placed on” appear to be used interchangeably. Samsung drew particular attention to the following passage on page 19 of the specification (omitting references):

The lines are generally disposed on one or more optical transmissive members formed from a clear material such as glass or plastic. By way of example, the lines may be placed on opposing sides of the same member or they may be placed on different members. The lines may be placed on the member using any suitable patterning technique including for example, deposition, etching, printing and the like.

110 This passage is in the same vein as the passages on pages 14–15 and 17 of the specification. It also illustrates what appears to be, in the body of the specification, the interchangeable use of the expressions “disposed on” and “placed on”.

111 Apple submitted that Samsung's invocation of the body of the specification as an aid to construing the claims offended the principle that it is not legitimate to narrow or expand the boundaries of monopoly as fixed by the words of a claim by adding to those words

glosses drawn from other parts of the specification: *Welch Perrin & Co. Pty Ltd v Worrel* (1961) 106 CLR 607 at 610. It is equally clear, however, that the specification, of which the claims form part, must be read as a whole and that, if there is any ambiguity in the claims, resort may be had to the description in the body of the specification. These general principles are not in doubt and are usefully summarised in *Flexible Steel Lacing Company v Beltreco Ltd* (2000) 49 IPR 331 at [70]–[81] and in a great many other cases in this Court.

112 It is not necessary for present purposes to resolve any particular controversy between the parties about the application of those principles to the present claims. It is sufficient for us to note that we are not persuaded that Samsung's resort to the body of the specification was part of an exercise of placing impermissible glosses on the wording of claim 6 in the sense referred to in *Welch Perrin*.

113 For its part Apple called in aid Figure 10 of the specification to support its case that the touch panel of the Galaxy Tab 10.1 possesses the essential features of claim 6. It submitted that this figure illustrates "a multi-layered substrate within the invention". However, Figure 10 is supported by specific description in the body of the specification at page 21 line 33 to page 23 line 34. The description makes clear that a sensing layer, comprising a plurality of sensing lines arranged in columns, is typically disposed on a first glass member using suitable transparent conductive materials and patterning techniques. Separately, a transparent driving layer, comprising a plurality of driving lines arranged in rows, is positioned over a second glass member. The second glass member is then positioned over and bonded to the first glass member, the two glass members thus being separated by a bonding layer. Other bonding layers are described. The specification (at page 23 lines 15–22) describes the structure as follows (omitting references):

In essence, the bonding layers help to produce a monolithic sheet that is stronger than each of the individual layers taken alone. In most cases, the first and second glass members as well as the second glass member and the protective sheet are laminated together using a bonding agent such as glue. The compliant nature of the glue may be used to absorb geometric variations so as to form a singular composite structure with an overall geometry that is desirable. In some cases, the bonding agent includes an index matching material to improve the visual appearance of the touch screen.

114 Whilst Figure 10, accompanied by the description to which we have referred, describes a multi-layered structure, it is one involving separately identified, and hence



discrete, glass (optically transmissive) members on which the sensing layer and the driving layer are separately and respectively disposed.

115 We are of the view that, on the present state of the evidence, Figure 10 and its accompanying description provide greater support for Samsung's defence of non-infringement than they do for Apple's case on infringement.

116 In this connection Samsung also relied on s 116 of the Patents Act which provides, relevantly, that the Court may, in interpreting a complete specification as amended, refer to the specification without amendment. Samsung pointed to the fact that, by the amendments made on 30 January 2009, Apple also substantially amended claim 9 of the Touch Screen Patent. Prior to those amendments, claim 9 was as follows:

The touch panel recited in claim 6 and 18 wherein the lines of the first layer are disposed on a first glass member, and wherein the lines of the second layer are disposed on a second glass member, the first glass member being disposed over the second glass member.

117 It can be seen that, in that form, claim 9 reads onto the description of the embodiment illustrated in Figure 10 of the specification.

118 As now amended, claim 9 claims dependency from claim 6 and claims the touch panel of claim 6 "wherein the optically transmissive member is a first glass member".

119 Samsung submitted that the effect of these amendments was to disclaim multi-layered embodiments from the scope of claim 6 and to confine the claim to an embodiment in which the layers are placed on respective sides of what the patent identifies as a single optically transmissive layer. There is, in our view, merit in that argument.

120 It is not for this Full Court to determine, as on a final hearing, the scope of claim 6 or whether the Galaxy Tab 10.1 infringes that claim. It is necessary, however, for us to make some evaluation of the strength of Apple's case for infringement of that claim, recognising that we do not have the benefit of all the evidence that the parties might see fit to call at the final hearing on the question of the construction of the touch screen of the Galaxy Tab 10.1 and on the question of the common general knowledge as it assists to inform the question of the construction of claim 6.

121 It is sufficient for us to express the view that, on the present state of the evidence, there is a real and substantial prospect that the importation into and supply in Australia of the Galaxy Tab 10.1 will not infringe claim 6 of the Touch Screen Patent. We have referred to a number of difficulties that confront Apple in making good its case on infringement. It may well be that, on a final hearing, Apple will meet these difficulties. But difficulties they are. Whilst we would not be prepared to say that Apple's case on infringement is not open to be argued, the difficulties to which we have referred do affect the assessment at the present time of the probability that, if on a final hearing the evidence remains the same, Apple will be found to be entitled to final injunctive relief for infringement of that claim. If Apple has established a *prima facie* case at all (which we doubt), it is founded upon a construction argument which, if the evidence remains as it is, is unlikely to succeed at trial.

### ***The Validity of Claim 6***

122 It is important to note that, for present purposes, the question of the validity of claim 6 of the Touch Screen Patent rests solely on the allegation that the touch panel, as there claimed, is anticipated by the publication of the Leeper Article and, separately, by the publication of the Mulligan patent application. There is no allegation of prior use. The issue, as raised by Samsung, is one of "paper anticipation".

123 Although each disclosure is said to be part of the prior art base, different issues are raised in each case because, unlike the Leeper Article, the Mulligan patent application was published after the asserted priority date of claim 6 of the Touch Screen Patent. Thus the Mulligan patent application could only be relevant if its disclosures satisfy the requirements of paragraph (b)(ii) of the definition of "prior art base" in the dictionary provided in Schedule 1 of the Patents Act. That definition is as follows:

***prior art base*** means:

- (a) in relation to deciding whether an invention does or does not involve an inventive step or an innovative step:
  - (i) information in a document that is publicly available, whether in or out of the patent area; and
  - (ii) information made publicly available through doing an act, whether in or out of the patent area.
- (b) in relation to deciding whether an invention is or is not novel:
  - (i) information of a kind mentioned in paragraph (a); and

- (ii) information contained in a published specification filed in respect of a complete application where:
  - (A) if the information is, or were to be, the subject of a claim of the specification, the claim has, or would have, a priority date earlier than that of the claim under consideration; and
  - (B) the specification was published after the priority date of the claim under consideration; and
  - (C) the information was contained in the specification on its filing date and when it was published.

124 In *E I Du Pont de Nemours & Co v ICI Chemicals & Polymers Ltd* (2005) 66 IPR 462 Emmett J held (at [81]–[85]) that, if the relevant information is not already found in a claim of the published specification, it must be considered as a notional claim which must itself satisfy the requirements of validity mandated by s 40 of the Patents Act, particularly in relation to fair basing.

125 Despite the separate issue raised by the Mulligan patent application, it is essential to Samsung's defence based on invalidity that either the Leeper Article or the Mulligan patent application discloses the touch panel claimed in claim 6 of the Touch Screen Patent. Only if such a disclosure is made in the Mulligan patent application, but not in the Leeper Article, does it become necessary to go on to consider the particular requirements of paragraph (b)(ii) of the definition of "prior art base" in relation to that disclosure.

126 Samsung's case before the primary judge was that the Leeper Article and the Mulligan patent application each contain an explicit disclosure of the touch panel claimed in claim 6 of the Touch Screen Patent. In each case it submitted that this explicit disclosure was based on the plain words of each document. Samsung's case was that the respective disclosures in the Leeper Article and the Mulligan patent application are made by the use of ordinary language that does not involve the construction of technical terms.

127 It is trite law that, if the alleged paper anticipation is to deprive an invention of novelty, it must clearly disclose each and every essential feature of that invention, as claimed. This principle has its genesis in Lord Westbury's seminal statement in *Hill v Evans* (1862) 4 De GF & J 288; 1A IPR 1 at 7 that "the information as to the alleged invention given by the prior publication must, for the purposes of practical utility, be equal to that given by the subsequent patent", a statement which Lord Reid described in *C. Van der Lely N.V. v Bamfords Limited* [1963] RPC 61 at 72 as "universally accepted". The stringency with which

the prior disclosure is to be assessed in order to be novelty-destroying has been discussed in a number of decisions in this Court, most notably in *Nicaro Holdings Pty Ltd v Martin Engineering Co* (1990) 91 ALR 513 and *Ramset Fasteners (Aust) Pty Ltd v Advanced Building Systems Pty Ltd* (1999) 164 ALR 239 and, more recently, in *H Lundbeck A/S v Alphapharm Pty Ltd* (2009) 177 FCR 151. It is not necessary to set out the discussion in those cases of the relevant principles. It is enough to note that a prior publication will not amount to an anticipation of an invention claimed as a combination if it discloses some, but not all, of the essential features of that combination.

128           The argument on anticipation proceeded before the primary judge by reference to whether or not the Leeper Article and the Mulligan patent application each disclosed a touch panel having a transparent capacitive sensing medium that was configured:

- (a) to detect multiple touches or near touches that occur at the same time and at distinct locations in a plane of the touch panel; and
- (b) to produce distinct signals representative of a location of the touches on the plane of the touch panel for each of the multiple touches.

129           These features were the first two limitations introduced by the amendments to claim 6 to which we have referred.

130           The primary judge (at [65]–[73] and [78]–[85]) set out the opposing contentions of the parties. As we have noted, in relation to the disclosures in the Leeper Article her Honour noted that both parties had advanced cogent submissions in support of their respective positions and concluded (at [75]) that Samsung had established a *prima facie* case for lack of novelty of claim 6. Similarly, in relation to the disclosures in the Mulligan patent application, her Honour noted the cogency of the parties’ respective submissions and concluded (at [88]) that Samsung had established a *prima facie* case for lack of novelty of claim 6.

131           On appeal, Samsung relied on those findings and submitted that they should have led to a rejection of Apple’s case for interlocutory injunctive relief. Specifically, Samsung submitted that the primary judge should have found “a substantial likelihood” of invalidity and should then have brought that likelihood to account when assessing the probability of whether there would be final injunctive relief for infringement of claim 6 of the Touch Screen Patent.



132 For its part, Apple submitted that the primary judge should have concluded that Samsung's case on lack of novelty was weak. Nevertheless, Apple submitted that the primary judge did in fact consider the strength of Samsung's case on invalidity and that it was inherent in her Honour's conclusion that the strength of that case did not rationally alter the conclusion that Apple had established a *prima facie* case of infringement of a valid patent claim.

133 As the primary judge made no explicit statement about the strength of Samsung's case on invalidity, it is necessary for us to consider the rival contentions of the parties on appeal in order to examine how, if at all, Samsung's case in relation to the invalidity of claim 6 could affect a finding that there was a *prima facie* case of infringement in relation to that claim.

### THE LEEPER ARTICLE

134 Samsung relied on the following passage of the Leeper Article which appears under the heading "ClearPad Operation". The passage is accompanied by a diagram, but no particular reliance was placed on the diagram itself (which is omitted from the quotation):

#### **ClearPad Operation**

The Synaptics ClearPad is based on the same principles of operation as a standard Synaptics TouchPad (see Figure 2). The touch sensor is comprised of two arrays of sensor traces perpendicular to one another, separated by an insulating material, and covered by insulating surface material. To form a clear sensor, the traces are made of a clear conductor such as indium tin oxide (ITO) and the insulation layers consist of optically clear adhesives and clear polyethylene terephthalate (PET), a plastic resin and a form of polyester. Each trace possesses a capacitance to free space that can be measured by the controlling circuitry.

When a finger is touching the top surface, it is very close (about 0.2 mm) to the sensor traces. The presence of a finger changes the capacitance of the nearest traces by about 10%. This capacitance change is measured by the controlling circuitry and finger position is computed from this information. Because the sensor is detecting change in a trace's capacitance to free space, the sensor can only detect objects that can significantly add trace capacitance. A finger provides significant signal that offers a relatively large contact area.

Synaptics' proprietary ASIC utilizes a custom analog circuit to measure trace capacitance. This involves the controller outputting a fixed current over a set time period and then measuring the resultant voltage on each trace. Because finger presence is computed by changes in trace array capacitances, the controller is capable of computing finger pressure as an increase in the finger contact area (thereby adding capacitance to more traces), as well as detecting the presence of multiple fingers.

The construction of the capacitive sensor also offers a number of design advantages. Since there is no requirement for a rigid substrate, a capacitive sensor can be constructed from two layers of PET. This reduces sensor thickness and weight, but also allows a capacitive sensor to be mounted on a curved surface. Furthermore, the

capacitive sensor is not subject to performance changes due to environmental changes since auto calibration occurs frequently and is hidden from the user.

135 Samsung submitted that this passage explicitly discloses each of the features of claim 6 noted above. It relied particularly on the disclosure that the “controller” was capable of computing not only finger pressure but detecting the presence of “multiple fingers”.

136 Apple submitted that the reference to detecting the presence of “multiple fingers” is, at best, ambiguous. It submitted that this passage is to be understood as referring to detecting the surface area of contact at a single touch location, albeit with multiple fingers at that point. Thus, on Apple’s argument, the Leeper Article does not clearly disclose the feature that the touch panel of the ClearPad is configured to detect multiple touches or near touches that occur at the same time and at distinct locations on the panel. It followed from this reasoning that the Leeper Article does not also disclose that the ClearPad is configured to produce distinct signals representing the locations of separate and simultaneous touches.

137 It is to be noted that the debate between Apple and Samsung on these matters took place simply as rival submissions about what the Leeper Article said as a matter of ordinary language. Samsung’s position was that the Court is as well-equipped as the person skilled in the art, without further assistance, to understand what is disclosed by reading the passage quoted above.

138 In this connection Samsung did not seek to make a case based on implicit disclosure: *Van der Lely* at 72; *Hoechst Celanese Corp v BP Chemicals Ltd* [1998] FSR 586 at 600–601; *Ramset* at [23]. Although Samsung adduced evidence from Mr Phares, on the topic of touch screens, this evidence was not directed to the disclosures in either the Leeper Article or the Mulligan patent application. Thus there was no evidence before the primary judge as to how the Leeper Article or the Mulligan patent application would be read through the eyes of the person skilled in the art, beyond what each document in fact stated as a matter of ordinary language. The primary judge (at [74] and [87]) made specific reference to this fact. No submission was made, nor on that state of the evidence could any submission sensibly be made, that the person skilled in the art would read the Leeper Article or the Mulligan patent application as containing an implicit teaching of any of the essential features of claim 6 of the Touch Screen Patent. It is in this state of affairs that each document falls to be assessed as a prior disclosure.

139 It is not necessary at this point to resolve the debate between the parties as to whether the reference in the Leeper Article about detecting the presence of “multiple fingers” is to multiple fingers at multiple locations or multiple fingers at a single contact point. It is enough to say that there is some reasonable degree of uncertainty about what the Leeper Article actually discloses in that regard. Moreover, even if one were to assume that the article is referring to the detection of multiple touches or near touches that occur at the same time and at distinct locations in a plane of the touch panel – which on the present state of the evidence would be a generous assumption – there is, importantly, no apparent disclosure in the Leeper Article that the ClearPad is configured to produce distinct signals for each of the multiple touches that are representative of the location of each of those touches.

140 In our view it follows from that state of affairs that Samsung has not established a *prima facie* case that the Leeper Article anticipates the touch panel claimed in claim 6 of the Touch Screen Patent.

#### THE MULLIGAN PATENT APPLICATION

141 The Mulligan patent application is entitled LATTICE TOUCH-SENSING SYSTEM. It is directed to a touch-sensing system for detecting the position of a touch on a touch-sensitive surface in the environment of computers and other electronic devices which use touch-sensing systems as a means for inputting data.

142 Samsung relied on a number of passages in the Mulligan patent application as disclosing the essential features of the touch panel claimed in claim 6 of the Touch Screen Patent.

143 Samsung referred to the Abstract accompanying the patent application which is in the following terms:

This invention is directed to a lattice touch-sensing system for detecting a position of a touch on a touch-sensitive surface. The lattice touch-sensing system may include two capacitive sensing layers, separated by an insulating material, where each layer consists of substantially parallel conducting elements, and the conducting elements of the two sensing layers are substantially orthogonal to each other. Each element may comprise a series of diamond shaped patches that are connected together with narrow conductive rectangular strips. Each conducting element of a given sensing layer is electrically connected at one or both ends to a lead line of a corresponding set of lead lines. A control circuit may also be included to provide an excitation signal to both sets of conducting elements through the corresponding sets of lead lines, to receive

sensing signals generated by sensor elements when a touch on the surface occurs, and to determine a position of the touch based on the position of the affected bars in each layer.

144 This description does not refer to the detection of multiple touches at the same time at distinct locations on the touch panel. However, other passages of the Mulligan patent application do refer to the sensing of multiple touches. For example, page 2 lines 15–16 of the application refer to an embodiment of a touch-sensitive screen in which one or more layers of unidirectional capacitive sensor bars are connected “so that weaker touches or multiple touches may be sensed”. A similar reference is made on page 7 lines 29–32 which describes a gaming application as an example of a touch screen where the recognition of multiple touches could be used. This passage also refers to an example where multiple touches could be rejected.

145 Samsung placed particular reliance on the following passage at page 8 line 28 to page 9 line 3 of the application dealing with an embodiment where “sensor bars” in the screen could be configured to provide more detailed information, including touch location “in both directions”:

This extra information could greatly improve multiple touch rejection, or, conversely, to enable multiple touch recognition. For instance, a two-layer touch sensor could be used in combination with a gaming application that allowed two players to simultaneously touch the touch sensor. In addition, the improved performance of a dual-layer double-end-connected design would allow weaker signals to be accurately detected, such as those experienced by users wearing gloves or the like. These and other advantages and applications will be apparent to those skilled in the art.

146 As we have noted, no evidence was adduced as to how the person skilled in the art would read the paper anticipations on which Samsung relied.

147 Samsung then referred to claims 1 and 6 of the Mulligan patent application which, it submitted, when read with other passages in the application, disclose the touch panel claimed in claim 6 of the Touch Screen Patent:

1. A touch-sensitive screen, comprising:
  - a touching surface;
  - a first sensor layer including:
    - a first set of capacitive sensor bars disposed in a first direction, each of the first set of capacitive sensor bars having a first end and a second end, wherein



the first end of each of the first set of capacitive sensor bars is connected to one of a first set of lead lines;

a second sensor layer including:

a second set of capacitive sensor bars disposed in a second direction, the second direction being substantially orthogonal to the first direction, each of the second set of capacitive sensor bars having a first end and a second end, wherein the first end of each of the second set of capacitive sensor bars is connected to one of a second set of lead lines; and

a non-conductive layer separating the first sensor layer from the second sensor layer.

...

6. The touch-sensitive screen of Claim 1, wherein each of the second ends of the first set of sensor bars are connected to the first set of lead lines, and the second ends of the second set of sensor bars are connected to the second set of lead lines.

148 Apple submitted that these claims, in combination with the description in the body of the Mulligan patent application, do not disclose a touch panel configured to detect multiple touches or near touches that occur at the same time at distinct locations.

149 In our view the Mulligan patent application discloses a touch panel that is capable of recognising multiple simultaneous touches. It may be a matter of debate about whether that disclosure carries with it a disclosure of the recognition of multiple simultaneous touches at distinct locations. But, as with the Leeper Article, there is no apparent disclosure of a touch panel configured to produce distinct signals for each of the multiple touches to represent the location of those touches.

150 Once again it follows that, in the present state of the evidence, and in light of the limited way in which Samsung's case on invalidity has been advanced, no *prima facie* case has been established that the Mulligan patent application contains a disclosure that anticipates the touch panel claimed in claim 6 of the Touch Screen Patent.

### The Heuristics Patent

151 The Heuristics Patent relates to electronic devices that apply heuristics to detect user gestures on a touch screen of the device, in order to determine commands. In this context the term heuristics is used to refer to strategies that interpret imprecise inputs to provide precise outputs. Once again, it is convenient to repeat the text of claims 1 and 55.

152

Claim 1 is as follows:

1. A computer-implemented method, comprising:
  - at a computing device with a touch screen display,
  - detecting one or more finger contacts with the touch screen display,
  - applying one or more heuristics to the one or more finger contacts to determine a command for the device; and
  - processing the command;wherein the one or more heuristics perform the functions of:
  - determining that the one or more finger contacts correspond to a one-dimensional vertical screen scrolling command rather than a two-dimensional screen translation command based on an angle of movement of the one or more finger contacts with respect to the touch screen display; and
  - determining that the one or more finger contacts correspond to a two dimensional screen translation command rather than a one-dimensional screen translation command, based on an angle of movement of the one or more finger contacts with respect to the touch screen display.

153

Claim 55 is as follows:

55. A computer-implemented method of any one of claims 1 to 26, wherein
  - the one or more finger contacts correspond to a finger gesture with an initial movement and a subsequent movement, and wherein
  - the function of determining that the one or more finger contacts correspond to a one-dimensional vertical screen scrolling command rather than a two-dimensional screen translation command includes identifying the entire finger gesture as the one-dimensional vertical screen scrolling command and basing the determination on the angle of movement of the initial movement of the finger gesture, and wherein
  - the function of determining that the one or more finger contacts correspond to a two-dimensional screen translation command rather than a one-dimensional vertical screen scrolling command includes identifying the entire finger gesture as the two-dimensional screen translation command and basing the determination on the angle of movement of the initial movement of the finger gesture.

154

Samsung submitted that, in the Galaxy Tab 10.1, the interpretation of the relevant user gestures on the touch screen, and the determination of the appropriate command, is not based on the angle of movement referred to in the methods claimed in claims 1 and 55.

155

There seems to be no dispute that, in the Galaxy Tab 10.1, the process for determining the relevant command is as follows. A first user contact on the screen is detected and an X (horizontal) channel and a Y (vertical) channel are generated around the touch point. The touch panel logic then identifies the location of the user's second touch point at a pre-defined

period of time after the first contact is detected. The location of the second touch point is then compared with the locations of the X and Y channels previously generated by the first touch. The software then interprets this as an instruction for screen movement, relevantly a one-dimensional screen scrolling command or a two-dimensional screen translation command, and then processes the command accordingly.

156           The matter in dispute between the parties is the meaning of the words “based on an angle of movement of the one or more finger contacts with respect to the touch screen display” as used in claim 1. Broadly similar words are used in claim 55.

157           Apple submitted that these words are referable to and qualify the command of the user; they are not referable to and do not qualify the determination by the heuristic, which may be by any appropriate algorithm. Apple’s submission distinguishes between the command of the user and the manner in which the heuristic is applied to interpret the user’s command, liberating the latter from an algorithm that is based on the angle of finger movement.

158           Samsung submitted that Apple’s contention is untenable.

159           It is difficult to discern the distinction on which Apple relies in the wording of claims 1 and 55 themselves. They appear to have a straight-forward meaning in this regard. Each claim is directed to a computer-implemented method which involves three steps: detecting finger contacts on a touch screen display; applying one or more heuristics to those finger contacts to determine a command for the device; and processing that command. Claims 1 and 55 require that the heuristics perform the function of determining one of two identified user commands based on an angle of movement of the finger contact(s). The angle of movement is clearly referable to the user’s finger contacts. On the face of the claims, the angle of movement is also referable to the manner in which the heuristics are applied to determine the intended command for the device. In other words, the computer-implemented method requires a determination by the computing device, based on an angle of movement derived from the finger contacts, as to what was intended by the user’s command. This is to be compared with the method in the Galaxy Tab 10.1 where the user’s intended command is based upon the identification of, and deviation from, X and Y channels generated in respect of the point of first touch.

160 On the present state of the evidence we are unable to see that Apple has established a *prima facie* case of infringement of either claim 1 or claim 55 of the Heuristics Patent.

### **BALANCE OF CONVENIENCE AND JUSTICE**

161 Samsung also submitted that the primary judge erred in assessing the balance of convenience and justice. As we must, ourselves, address this matter, we should consider the correctness of her Honour's approach. Her Honour found that many of the relevant factors were evenly balanced as between the parties, but that three factors favoured Apple, namely:

- Samsung's unwillingness to accept an early hearing date;
- Samsung's proceeding with the launch of the Galaxy Tab 10.1 with its "eyes wide open"; and
- the fact that Apple's case was based upon two separate, registered patents.

162 Samsung challenged the relevance of these factors to the balance of convenience and justice and/or the ways in which her Honour used them, particularly in light of the fact that the decision as to interlocutory relief was likely to constitute final resolution of the matters in dispute. By its Notice of Contention Apple asserted that her Honour ought to have given weight to the desirability of maintaining the status quo and greater weight to the "early final hearing" and "eyes wide open" points.

163 Of the three factors which influenced her Honour's weighing of the balance of convenience and justice, that relating to the proposed early final hearing is the most complex, largely because it was dealt with at various points in the transcript of proceedings below, and in various documents, as well as in her Honour's reasons. It is necessary that we examine the history of the matter.

164 On 28 July 2011 Apple filed its application, alleging that the importation, offering for sale or supply of the Galaxy Tab 10.1 would infringe five standard patents and five innovation patents, and seeking permanent and interlocutory injunctive relief. On 1 August 2011 Samsung indicated that the version of the Galaxy Tab 10.1 which Apple referred to in its application was not that which Samsung proposed to launch in Australia. On that basis Samsung provided an undertaking to the Court that it would not sell that version in this country. It also undertook to provide Apple with samples of the version of the Galaxy Tab



10.1 which it proposed to distribute in Australia, at least seven days prior to such distribution commencing. The samples were provided on 25 August 2011. At a directions hearing held on 29 August 2011, Apple's interlocutory application was listed for hearing on 26 and 29 September 2011, Samsung indicating that it did not intend to launch the Galaxy Tab 10.1 in Australia prior to 30 September 2011. On 2 September 2011 Apple indicated that in seeking interlocutory relief, it would rely on the Touch Screen Patent, the Heuristics Patent and one other patent which is not presently relevant. On 6 September 2011 Apple filed an amended application in which it identified seven standard patents and six innovation patents upon which it proposed to rely in the action.

165            Shortly after the commencement of the hearing of the interlocutory application on 26 September, the primary judge indicated that she would probably have time available "in the next couple of weeks", raising the possibility of a final hearing at that time. Counsel for Apple said at ts 3 ll 40–42:

I think that the prospect of the current matter being converted from an interlocutory application to a final one, without any further changes, would be one that would not be met with universal approval, given the nature of the case.

166            The words "without any further changes" are of some importance. Subsequent events suggest that counsel meant that he understood that the "issues" to be addressed in the proposed final hearing would be those which were to be addressed in the interlocutory hearing, and that the evidence was to be limited to that already provided for the purposes of that hearing. Of course, the issues in any final hearing could not have been the same as those to be ventilated in the interlocutory hearing. The ultimate questions of infringement and invalidity were not issues for determination in the interlocutory proceedings. Further, the question of the balance of convenience and justice would not have arisen in any final hearing. Her Honour said that she saw the balance of convenience as posing "enormous difficulties". A little later in the day the question of an early final hearing arose again. Counsel for Samsung said, in response to a question from her Honour as to whether he would be "pushing for a final hearing next week", at ts 67 ll 27–31:

No, your Honour, it would not be possible. At the moment, our friends have got 13 claims with patents, which – dozens, towards a hundred-odd claims. Only five, well, now four, call it three, are asserted at the moment, but, your Honour, this is a case which, we submit, in an orderly way would be heard well into next year, to say the least.

167 At that stage counsel for Apple indicated at ts 67 ll 37–41:

... Apple is prepared to deal with the matter on an early final hearing basis, even next week if your Honour was inclined to do so. I can elaborate on that, but I just didn't want your Honour to be under a misapprehension.

168 Later, counsel for Apple said at ts 94 ll 33–40:

The – our – my interjection at the point when your Honour indicated our position as you understood, as your Honour understood it, regarding final hearing was really just to indicate my instructions that Apple is prepared to run an early final hearing. It is willing to do so on such basis as can be conveniently arranged. If it can be done for next week then so be it. It is prepared to put its resources where it's necessary to ensure that the matter is actually resolved in such a way as it can be. And there is no doubt that we're not shying away from dealing –whether it be next week or be soon after we will deal with it when we can.

169 Her Honour then suggested that Apple should give Samsung a firm proposal as to the  
future conduct of the matter.

170 On 27 September 2011 Samsung submitted written submissions in which it asserted that:

- it would be unjust to compel it to participate in an early final hearing this year;
- it opposed any interim injunction restraining it from selling the Galaxy Tab 10.1 pending a final hearing, pointing out that it had already voluntarily refrained from launching the product for two months “to permit an orderly hearing of the application for interlocutory relief”;
- it would be unfairly prejudiced by any further delay in entering the market;
- as considerable costs had been incurred in preparing for the interlocutory hearing, it should be heard and determined as quickly as possible;
- it would be unable to conduct a final hearing of the matter in 2011, given the complexity of Apple's case, involving the alleged infringement of 13 patents, contravention of the *Australian Consumer Law* and passing off, together with Samsung's cross-claims for revocation and alleging infringement by Apple of seven Samsung patents;
- it would not be able to prepare and conduct a final hearing this year, even on the patents in contest in the interlocutory application;

- the case had been prepared on a confined basis “to meet the normal exigencies of an interlocutory injunction application”;
- evidence was still to be collected for any final hearing;
- there had been no discovery;
- its senior counsel of choice was unlikely to be available at any time during the balance of the year;
- it should not be compelled to split its case, and experts might be cross-examined twice as a result; and
- presumably in the expectation that Apple would insist upon continuing interlocutory relief, such a course would delay its entry into the market “without judicial determination of even a *prima facie* case”.

171 On 28 September 2011 the solicitors for Apple wrote to the solicitors for Samsung as follows:

We refer to her Honour’s statements at the hearing on 26 September 2011 regarding the possibility of an early final hearing in this matter . . . .

We confirm that Apple is willing to take this opportunity offered by the Court and to have this interlocutory hearing effectively turned into an early final hearing. Although Apple considers that the balance of convenience is strongly in its favour, in the interests of efficiency Apple would be willing to have this matter heard on a final basis as early as next week.

There are obvious advantages to the parties and to the Court in having the matter heard as an early final hearing. However, this would require some accommodation from the parties. Any perceived prejudice or disadvantage stemming from an early final hearing would apply equally to Apple and Samsung.

In the interests of an early final hearing in the next 1-2 weeks, Apple proposes the following:

Apple would:

- 1 Limit the product in dispute at the final hearing to the [Galaxy Tab 10.1] as provided to Freehills on 25 August 2011 or that product as modified in accordance with Samsung’s undertaking to the Court in respect of the zoom bounce patent (the [Galaxy Tab 10.1]).
- 2 Limit the patents relied on at the final hearing in respect of the [Galaxy Tab 10.1] to the heuristics patent ’532, the touch screen patent ’219 and the selective rejection patent ’177.
- 3 Limit the claims relied on at the final hearing to those set out in Apple’s written submissions dated 26 September 2011.
- 4 Rely on its evidence already filed in the proceeding.

- 5 Provide an undertaking to the Court on a no admissions basis not to sue the Respondents in Australia in respect of the [Galaxy Tab 10.1] for infringement of the remainder of the patents listed in the Amended Application. (This is conditional on Samsung providing and complying with the undertakings listed at points 7-10 below.)
- 6 Provide an undertaking to the Court on a no admissions basis not to seek interlocutory relief in respect of the [Galaxy Tab 10.1] for infringement of patents other than those in points 2 and 5 above. (This is conditional on Samsung providing and complying with the undertakings listed at points 7-10 below.)

Samsung would:

- 7 Provide an interim undertaking to the Court on a no admissions basis not to import, offer to supply, supply, offer for sale or sell in Australia the [Galaxy Tab 10.1], whether or not it includes the zoom bounce functionality, until the determination of the matter.
- 8 Provide a permanent undertaking to the Court on a no-admissions basis not to import, offer to supply, supply, offer for sale or sell in Australia the US version of the [Galaxy Tab 10.1]. This is turning into a permanent undertaking the interim undertaking provided by Samsung to the Court on 1 August 2011.
- 9 Provide a permanent undertaking to the Court on a no-admissions basis not to import, offer to supply, supply, offer for sale or sell in Australia any Australian version of the [Galaxy Tab 10.1] (including the version provided to Freehills on 25 August 2011) which includes the zoom bounce functionality or capability, or which includes any interfaces to applications that provide that functionality or capability. This is turning into a permanent undertaking the interim undertaking provided by Samsung to the Court on 26 September 2011. It also clarifies that the device must not include interfaces of that nature.
- 10 Provide a permanent undertaking to the Court on a no-admissions basis not to import, offer to supply, supply, offer for sale or sell in Australia any [Galaxy Tab 10.1] (including the version provided to Freehills on 25 August 2011) which includes:
- (a) any of the features or functionalities listed at points 2 – 8 under the heading 'US version' in the document entitled 'Comparison of US and Australian versions of the [Galaxy Tab 10.1]' provided by Blake Dawson to Freehills in final form on 20 September 2011 or any feature which infringes any of the patents '540, '283, '372, '366, '771, '171, '419, '820 asserted in the Amended Application; or
  - (b) any interfaces to applications that provide those functionalities or capabilities listed at (a) above.

As you will appreciate, although Samsung has abandoned these features of the [Galaxy Tab 10.1] listed in (a) above for the purpose of this proceeding, there are no orders in place on these issues.

- 11 Limit its defence and cross-claim on validity to claims set out in Samsung's written submissions dated 26 September 2011.
- 12 Rely on its evidence already filed in this proceeding.
- 13 Provide an undertaking that the provision by Apple of the undertaking referred to in point 5 above will not be used as the basis for an argument by



Samsung on any subsequent occasion that Apple has “delayed” in enforcing its patent rights.

In relation to that part of Samsung’s cross-claim concerning Apple products, it is a separate and distinct proceeding that could continue to a separate final hearing whether in this proceeding or in a separate proceeding.

If Samsung threatens to supply, or supplies, in Australia any version of the [Galaxy Tab 10.1] other than the US version or the [Galaxy Tab 10.1], the regime set out above will not apply.

For the avoidance of doubt, nothing in the proposal above would limit Apple’s ability to bring claims in respect of other products.

You will appreciate that this letter sets out Apple’s position in response to her Honour’s proposal for an early final hearing. Apple remains committed to an early final hearing and is prepared to make the accommodations reflected in this letter to assist the parties to reach a just and quick resolution of the proceeding within a short period. Apple invites your clients to consider this proposal and will urgently consider any suggestions from your clients relating to this proposal.

If your clients agree in principle with this proposal set out above, please let us know as soon as possible and we will then prepare draft consent orders and undertakings, seeking to give effect to this proposal.

...

172            Apparently in reference to Samsung’s submissions, counsel for Apple said, on 29 September 2011, at ts 5 ll 1–5:

We did, we were surprised by them, your Honour. We had sent a letter to our friends proposing a means by which we may trim our sails to meet an early final hearing, whether it be next week, the week after or some early other time. That’s included within this bundle that I’m going to hand to your Honour and we will tender the correspondence.

173            Counsel continued at ts 5 ll 9–14:

Yes, but your Honour, this is particularly important because Apple has come out and said, “We will have an early final hearing at such time as can be conveniently arranged. If it’s next week, we can do that. We will reduce the number of patents we rely on, we will reduce the evidence we rely on, we will commit ourselves to a certain course.” Our friends have come back and said, “No. They can’t do anything for a whole year.”

174            Her Honour queried whether Samsung had said that they would not be ready for a year. Counsel for Apple responded at ts 5 ll 18–24:

I think, your Honour, it bears close reading because our friends are saying it takes them twelve months to get them ready for this case. We think that should weigh very heavily on the question of balance of convenience because here we are saying, we are ready to go, we will meet what we have to meet and we will meet it in such time as the Court thinks appropriate and we are prepared to make proposals and our friends won’t even treat with us on that.

175 On 30 September 2011 her Honour again raised the question of a date for an early final hearing, saying at ts 167 l 39–ts 168 l 2:

There is one other matter though that came to me yesterday, and this goes back to the question of the early hearing date and this is probably as much a matter for Samsung – or more a matter for Samsung in many ways. There is a – some of the evidence that came out yesterday in the cross-examination was – it was probably just not in that but it was certainly emphasised in the cross-examination, was some of the history of this matter as between the parties, and it would seem that – I mean, there doesn't seem to be any dispute or doubt that Samsung was aware of the patents and aware of the fact that Apple was asserting the patents as against [Galaxy Tab 10.1]. There was also evidence of meetings between the parties that those patents – inter alia, these two patents were referred to, and assertions made.

176 Her Honour went on to observe that in those circumstances she found it difficult to understand why Samsung should now be heard to say that it was not ready for an early hearing, implying that it should have been preparing to defend the proceedings from some earlier time. Her Honour then continued at ts 168 ll 29–39:

This is a case where the balance of convenience is a big play on both sides. I'm told on both sides the consequences of an order being made or not being made, that is quite, in each case, dramatic and substantial. I have raised the question of an early hearing date and that's something – I mean, I don't do that lightly. It's not going to be fun for me to deal with this matter urgently and have to get it out urgently, but to be told by one of the parties, "Well, this is going to have an enormous impact on us if this order is made, and we simply just tell you that we're not going to be able to do this case before next year, in which case it's all going to be too late," and that's not been done with any evidence of what steps have been taken and you have known about this case for some time. So when I'm balancing this off I'm having some difficulty understanding what the evidence is that backs up those assertions.

177 Counsel for Samsung then made various submissions to her Honour, although not really dealing with the issue which her Honour had raised. He suggested that Samsung's efforts had been directed towards defending the interlocutory proceedings rather than preparing for a final hearing.

178 At some time on 30 September 2011 counsel for Samsung handed up draft orders to which it was willing to consent. Those orders appear in a document headed "Proposed Short Minutes of Order – Early Final Hearing" and are as follows:

1. **NOTE** the undertakings already given, namely,
  - (a) the Applicants' usual undertaking as to damages,

- (b) the Respondents' undertaking re the 103 zoom bounce and 177 selective rejection,
- (c) the Respondents' undertaking already given (US product).
- 2. **ORDER** that the application for interlocutory relief otherwise be dismissed.
- 3. **NOTE** that the Respondents are released from the indications previously given to the Court by their solicitor and counsel that they would not launch prior to,
  - (a) today, and
  - (b) delivery of the Court's reasons on the interlocutory application.
- 4. **ORDER** pursuant to Rule 30.01 that the following issues be dealt with separately and before the other issues in the proceedings,
  - (a) infringement of heuristics (532) and touch screen (219) in relation to **Ex C**, and
  - (b) validity of touch screen (219).
- 5. **GRANT LEAVE** to the Respondents to file and serve amended particulars of invalidity in relation to the touch screen patent by
- 6. **DIRECT** the Applicants to file any further Evidence in Chief, in relation to their case on infringement by
- 7. **DIRECT** the Respondents to file and serve any further Evidence in Chief or [sic] validity by
- 8. **DIRECT** the parties to file and serve Evidence in Answer by
- 9. **DIRECT** the parties to file and serve Evidence in Reply by
- 10. **APPOINT** November for the hearing of the separate question, noting an estimate of 5 days.
- 11. **COSTS** reserved.
- ...

179

On 30 September 2011 the solicitors for Apple replied as follows:

We refer to our proposal with respect to an early final hearing dated 28 September 2011, and your clients' proposal in response, a copy of which was handed up to her Honour at the hearing on 30 September 2011 (the **Proposed Orders**).

Orders 2 and 3 of the Proposed Orders are not acceptable to our clients, and our clients are therefore unable to agree to those orders.

However, our clients remain committed to the option of an early final hearing and welcome your clients' willingness to engage with respect to this matter. Our clients are considering the remainder of your proposal, but there are some aspects of the Proposed Orders that require clarification to enable our clients to give the matter full and proper consideration.

With respect to proposed order 4, it is not clear from the terms of this order what the 'other issues' are that are to be dealt with at a later date. Further, there is no reference to what will happen upon determination of the initial issues. In particular, we note the [sic] Mr Catterns QC accepted the following during the course of the hearing on 30 September 2011 in relation to proposed order 4:

HER HONOUR: This will obviously be without any – as a preliminary question that leaves everything open, just to make sure no one's prejudiced by this, that would leave everything open, including the validity of the heuristics patent to be determined at another time.

MR CATTERNS: Yes, your Honour, but of course if your Honour held there was infringement - - -

HER HONOUR: Yes, otherwise it wouldn't matter.

MR CATTERNS: - - - our friends would get the benefit of a final injunction. I'm sorry, in relation to - - -

HER HONOUR: To that.

MR CATTERNS: - - - in relation to the touch screen, for example, they would get a final injunction, and they would get a final injunction on the heuristics until we revoke the patent.

HER HONOUR: To make that clear, that means that the infringement of the heuristics would not raise questions in the infringement case of the validity of the – it wouldn't raise the validity of the patent in the preliminary question stage, at all. So you wouldn't have the argument you can't infringe an invalid patent in the infringement case?

MR CATTERNS: No, your Honour. I won't be running any squeezes. I no doubt would be saying your Honour should construe it this way to give it fair basis.

...

Further, our clients are unable to assess the potential scope of the case that they would need to meet on an early final hearing with respect to the validity of the touch screen ('219) patent in the absence of further details as to the respondents' proposed amended particulars of invalidity with respect to this patent ('219).

Please provide us with an explanation as to the intended scope of order 4 of the Proposed Orders, as well as an outline of your proposed amended particulars of invalidity with respect to the touch screen patent by **4pm, Monday 3 October 2011**.

...

180

On 3 October 2011 the solicitors for Samsung responded as follows:

Thank you for your letter dated 30 September 2011, which we received at 1.04pm today, 3 October 2011.

We note that your clients have rejected our clients' proposal. Orders 2 and 3 were fundamental to our clients' proposal and reflected the compromise our client was willing to make on proceeding to any early final hearing. Unless there is agreement that there be no interlocutory injunctive relief, our clients would gain no benefit from, and would be seriously prejudiced by, an early final hearing, even on a limited separate question basis.

If enjoined, our clients would wish to press all objections to validity of the patents in suit and properly prepare and present their invalidity case. As explained in our clients' submission dated 27 September 2011, the proper preparation and presentation of our clients' defence is incompatible with, and would be prejudiced by, an early final hearing in October or November 2011.

...



181 Samsung submitted that its conduct in refusing an early final hearing on limited issues was irrelevant to her Honour's consideration of the balance of convenience and justice. Apple submitted:

- that her Honour was correct to take into account the possibility of an early final hearing, relying upon the decision of the Full Court in *Trade Practices Commission v Rank Commercial Ltd* (1994) 53 FCR 303 at 317–8 and 322; and
- that Samsung's offer of an early final hearing showed that it could be ready for trial within the prescribed timeframe.

182 We do not consider that either of Apple's propositions has merit. As we understand it, the proposal in *Rank* was for the final disposition of the whole matter within two months, a quite different situation from the present case. As to the question of being ready for trial, it is true that Samsung's offer on 30 September indicated that it was willing to accept an early final hearing on limited issues. However it seems likely that it was willing to compromise with regard to its preferred position in an effort to maximize its chances of avoiding interlocutory relief being granted against it for the period preceding Christmas 2011.

183 The primary judge had appropriately sought to find alternative approaches to the resolution of the difficult problem which the parties had posed for resolution, including the possibility of an early final hearing. However it is unfortunate that one party's refusal to adopt that suggestion was to become a significant feature in her Honour's reasons for resolving the dispute in a way which was very unfavourable to that party. No doubt the parties and their legal advisers understood the circumstances and drew no adverse inferences from them. However we fear that the disinterested bystander may well have suspected that Samsung was punished for failing to adopt the approach recommended by the primary judge.

184 In her reasons, her Honour criticized Samsung for providing no evidence in support of its assertion that it would be unable to participate in an early final hearing prior to March 2012. However the question of an early final hearing was only ever raised in an informal way. Her Honour raised the matter without prior notice on 26 September 2011, but in very general terms. Whatever her Honour's intention at that time, it rapidly became clear that neither party proposed that the whole dispute be resolved at any early final hearing. Persuasive as such a suggestion from the Bench may have been, it did not oblige Samsung to

lead evidence in support of any decision to decline to adopt it. In its submissions on 27 September, Samsung gave reasons for declining the suggestion. They are set out above. None of those reasons was patently unsustainable. As the docket Judge, her Honour could have set the matter down over the opposition of either party, or both of them. Her Honour did not do so. To have fixed such an early date for the final hearing in a complicated matter, over the opposition of experienced counsel, may have constituted appealable error, but not necessarily. The limitation of the issues to be addressed, with the consequence that other issues would remain outstanding, also posed a case management problem. Her Honour could have acceded to an application for orders designed to bring about that result, but she would have had to hear argument on the matter, and then decide whether any opposition to the proposal had merit. Again, such a decision would have been appealable.

185 In fact, there was no reasoned consideration of the question as to whether Samsung ought to have accepted Apple's proposal or whether Apple ought to have accepted Samsung's proposal. Neither party sought formally to raise the matter for her Honour's determination. If the reasonableness of Samsung's conduct in this regard was to have been a significant issue in the resolution of the matter, then it ought to have been fully ventilated upon a formal motion, in respect of which the parties would have been entitled to lead such evidence as was appropriate. In the event the issue was never raised in a way which called for a determination by her Honour, nor for the adversarial process which would inevitably have preceded any such decision.

186 In reality, in September 2011, the primary issue between the parties was the question of interlocutory relief between September and the middle of December. It is clear from Freehills' letter of 28 September 2011 that Apple was willing to take advantage of the primary judge's offer upon the basis that both parties would be substantially restricted in connection with the issues to be raised and the evidence to be led at such a hearing. It is reasonable to infer that such restrictions were acceptable to it in the pursuit of its commercial goals. It does not follow that such limitations ought also to have been acceptable to Samsung. Indeed, such a situation seems unlikely. Samsung was asked to give permanent undertakings with respect to its future conduct and to consent to other interlocutory relief as the price of participating in the process. This was the very relief which Samsung was resisting.

187 We do not know whether Apple's offer was reasonable or otherwise from Samsung's point of view. As far as we can see, the material before her Honour offered no real guide to that question. No attempt was made before us to demonstrate the reasonableness or otherwise of Samsung's refusal. It was a matter for Samsung, acting on legal advice, to decide where its best interests lay. Given that it was so important to Samsung that the Galaxy Tab 10.1 be in the market in the period before Christmas this year, it is hardly surprising that it refused the offer. It had, after all, prepared for the interlocutory hearing and was apparently optimistic as to the likely outcome.

188 Similarly, the counter offer made by Samsung was unattractive to Apple. Apple was anxious to maintain the interlocutory relief and so was unwilling to agree to any proposal which did not include that feature. Thus both parties maintained the positions which had led to the interlocutory application being listed for argument. There was no choice but to hear it. Well intentioned as the attempts to find an alternative procedure may have been, they were probably always destined to fail.

189 Apple's submissions in connection with this aspect of the case simply ignore Samsung's clear concern with the continued existence of interlocutory relief. It is clear from the submissions made on 27 September and from the draft minutes of order provided on 30 September that Samsung was anxious to take advantage of the interlocutory hearing which had already commenced rather than accept continuation of the interlocutory relief throughout a period which would probably consume most of the time between the end of September and Christmas. Apple seeks to deal with this argument by asserting that it was completely unacceptable to Apple that its interlocutory relief not continue until judgment following the proposed early final hearing. No doubt this was so, but it was also quite unacceptable to Samsung that such relief continue in effect.

190 Apple asked her Honour to take into account, in considering the balance of convenience, Samsung's conduct in refusing the offer of an early final hearing. If Apple intended to do so, it ought to have formalized the matter by an appropriate motion for an early trial on limited issues. Had that step been taken, the alternatives would have been crystallized and a decision made which would have been open to appeal. However we suspect that it would have been very difficult, if not impossible, for the primary judge to have sifted through the various permutations and combinations of patents and relief sought by

Apple, and the various defences offered by Samsung, in order to determine whether or not it was reasonable for Samsung to refuse the offer of an early final hearing on limited issues. Had the offer been of a final hearing on all issues, and had the time for preparation been reasonable, the position may have been otherwise. In the circumstances of this case we cannot see how Samsung's conduct in refusing the offer of an early trial could properly be weighed in the balance of convenience. In those circumstances we consider that her Honour erred in principle by taking into account that irrelevant consideration.

191 We turn to the proposition that Samsung prepared to launch the Galaxy Tab 10.1 with its "eyes wide open". Her Honour gave "minimal" weight to this factor. In *Beecham* (supra) Kitto, Taylor, Menzies and Owen JJ said at 626:

The plaintiff on 10 May 1967 warned the defendant that if it began to do so proceedings for infringement of the patents would be taken. It was in the face of this warning that the defendant commenced the acts now complained of, and the action was thereafter instituted without delay. Any goodwill the defendant may since have built up for hetacillin would of course be destroyed or damaged by granting an injunction, but that was a risk the defendant took with its eyes open. If it be not restrained, it will presumably take advantage of the time before the hearing to subject the goodwill of the plaintiff's established trade ... to the prejudice of competition ... . In no meaningful sense could matters be said to be kept in statu quo if in these circumstances the defendant were left free to pursue its course, merely keeping an account of the profits it makes.

192 Clearly, their Honours considered that where an asset or other benefit had been derived by an alleged infringer of rights, with notice of the allegedly infringed rights, it should not escape an interlocutory injunction by relying on any threat which such relief might pose to that asset or benefit. Whether their Honours meant that such knowledge was otherwise relevant to the grant of interlocutory relief is unclear.

193 In *Smith & Nephew Pty Ltd v Wake Forest University Health Sciences* (2009) 82 IPR 467 at 475, the Full Court observed at [51]–[52]:

- 51 Second, the applicant sought to argue that the primary judge had, in effect, imposed on the applicant an obligation as a matter of law to "clear the way", and relied too heavily on the fact that the applicant embarked on the alleged infringing conduct with its "eyes wide open". We do not consider that the primary judge did raise either consideration to a proposition of law, or that he placed too much weight upon them.
- 52 We do, however, accept that it would be an error in considering whether the grant of an interlocutory injunction, in the context of an infringement claim, where the validity of the patent is an issue, to impose on a person who seeks



to launch an alleged infringing product, an obligation to “clear the way” by revoking the patent. Equally, the fact that a new entrant is prepared to take the risk of being restrained with its eyes wide open, should not be elevated beyond being a factor in the assessment of the many factors relevant to whether to grant an injunction.

194 In Miller R, Burkill G, Birss C, Campbell D, *Terrell on the Law of Patents* (17th edn, Sweet & Maxwell Ltd, 2010) at 18–51, the authors say, under the heading “Clearing the way”, that:

When a basic patent for a pharmaceutical agent expires ..., the innovator company will often possess a number of further patents which may be infringed by a generic product otherwise due to be launched at expiry of the basic patent ... . While there is no obligation on a potential defendant to start proceedings, if a party who wishes to launch a generic product in such circumstances chooses to wait until there is insufficient time between notifying the innovator company of its intentions and the launch date, that fact can be taken into account by a court deciding whether or not to grant an interim injunction. In other words:

“Where litigation is bound to ensue if the defendant introduces his product, he can avoid all the problems of an interlocutory injunction if he clears the way first. That is what the procedures for revocation and declaration of non-infringement are for.”

Accordingly on evidence before the court that an interim injunction would cause uncompensatable loss to both sides; because on the claimant’s side there would be formidable difficulties in the way of trying to get back to its present market position after a major collapse in prices caused by generic competition and because on the defendant’s side one could not determine what the defendant would have sold if it entered the market at the moment it wishes to, the failure to clear the way has led to interim injunctions being granted in a number of patent cases in recent years.

195 Her Honour accepted (at [235]) that from 15 April 2011 (when Apple commenced proceedings in the United States in respect of a version of the Galaxy Tab 10.1) Samsung knew, or should have known of the likelihood that Apple would pursue its intellectual property rights if the Galaxy Tab 10.1 were launched here. Her Honour also said (at [234]) that she gave no weight to the assertion that Samsung had its “eyes wide open” in relation to the currently relevant patents “in a specific sense” prior to 28 July 2011. Her Honour seems to have concluded (at [236]) that, in any event, Samsung could not reasonably have been expected to stop preparation for the launch of the Galaxy Tab 10.1 after 15 April 2011 because, come what may, it would have then suffered the delay which it now seeks to avoid.

196 Certainly, the cases suggest that knowledge of the infringed right is relevant to the exercise of the discretion to enjoin conduct. Some of the cases, like *Beecham*, seem to involve alleged threats to an advantage acquired by the alleged infringer with relevant

knowledge. Other cases suggest a wider relevance. Some of the cases have been cited earlier in these reasons. See, for example, *Martin Engineering*, *Sigma Pharmaceuticals*, *Interpharma* and *Tidy Tea*. Where, however, there is a finding that the alleged infringer should not reasonably have been expected to stop the relevant activity, knowledge seems to be irrelevant. In the course of argument on appeal, it was suggested that knowledge may have been relevant to Samsung's failure to commence preparing for a final hearing at an earlier time. However we have already demonstrated that the state of Samsung's preparation for trial was not raised for formal examination, and that there were other reasons for its refusal of an early final hearing of part of the case. Finally, in the present case, the most compelling features are the assessments of the strengths and weaknesses of the respective cases and the equality of likely detriment. Other considerations pale into insignificance beside those matters.

197 As to the question of there being two patents rather than one, we do not see any way in which that can strengthen Apple's case. That consideration says nothing about the construction of the patents for infringement purposes. Whether it has any relevance to the allegation of want of novelty depends upon the assessed strength of that allegation. In the circumstances of this case no weight should be given to the fact that there were two patents.

198 In its Notice of Contention Apple asserts that her Honour ought to have given more weight to protection of the status quo, in other words, that Apple had a dominant position in the market which should not be threatened. Her Honour rejected this characterization of the status quo, finding that Samsung and others had some prior market presence. Further, her Honour said that she had taken into account the need to protect the status quo in dealing with detriment. We agree. There was no reason further to consider that matter.

199 We do not consider that these considerations, either singly or together, should have led her Honour to grant interlocutory injunctive relief.

### **COSTS OF THE APPEAL**

200 The relief sought by Samsung in its Application for Leave to Appeal and Appeal was vigorously opposed by Apple. Those matters are discrete matters which should properly be regarded as separate from the first instance proceedings before the docket judge.

201 Before the interlocutory hearing before the primary judge, Samsung had offered to keep accounts. That offer was not acceptable to Apple.

202 Although the scope of the accounts which must be kept in the orders which we propose is greater than that which was offered by Samsung, no criticism of Samsung can fairly be made on this point. The keeping of accounts, whatever their scope, was never an acceptable solution from Apple's point of view to the claim which it was making for interlocutory injunctive relief. It did not consider the form of undertaking to keep accounts offered by Samsung.

203 The substance of the matter is that Samsung has had complete success in its appeal from the interlocutory orders made by the primary judge.

204 It should have its costs of its Application for Leave to Appeal and the Appeal. As it has not sought before us any alteration to the costs order which the primary judge made, those costs shall remain reserved, to be dealt with in light of these Reasons for Judgment.

## CONCLUSIONS

205 The Court will grant leave to Samsung to appeal from the orders made by the primary judge on 14 October 2011. The appeal will be allowed. The injunctions which her Honour granted will be discharged. Samsung will be permitted to launch the Galaxy Tab 10.1 in Australia provided it keeps accounts of all transactions involving that device in Australia or originating from Australia. Samsung should have its costs of its Application for Leave to Appeal and the Appeal.

206 There will be orders accordingly.

I certify that the preceding two hundred and six (206) numbered paragraphs are a true copy of the Reasons for Judgment herein of the Honourable Justices Dowsett, Foster and Yates.

Associate:

Dated: 30 November 2011