

PATENTS ACT 1977

IN THE MATTER OF an application under section 13 and a reference under section 37 by ABB Seatec Limited and ASEA Brown Boveri AS in respect of UK Patent No 2285819 in the name of Brisco Engineering Limited

DECISION ON COSTS

1. This decision relates solely to the question of costs on a withdrawn application under section 13 and reference under section 37. There are two issues I must decide: firstly, whether I should decide on an award of costs at this stage, and secondly, what that award should be. The second question, of course, falls away if the answer to the first one is no.

Background

2. UK patent application number 9401369.5 was filed on 25 January 1994 by Brisco Engineering Limited (“the Opponents”), naming David John William High as inventor. It was subsequently published under the number 2285819 and a patent granted on 16 July 1997. The patent relates to a manifold arrangement for distributing hydraulic fluid in a sub-sea environment.

3. On 10 November 1997, ABB Seatec Limited and ASEA Brown Boveri AS (“the Referrers”) initiated a reference under Section 37(1)(a), (b) and (c) claiming title to the patent, and an application under Section 13(3) claiming that Mr High was not the inventor. In brief, the Referrers asserted that their predecessors in title supplied the Opponents, in confidence, with some details of manifolds, and that the invention was derived from these rather than from the Opponents’ own work. The Opponents resisted the reference and application, relying on drawings which they themselves had prepared some years earlier, in 1987, to establish their rights to the invention.

4. The Referrers filed their evidence on 14 July 1998, and the Opponents filed their evidence on 13 October 1998. The Referrers decided not to file evidence in reply. A hearing was appointed for 5 May 1999. On 29 April 1999, six days before the hearing date, the Referrers issued a fax to the Office withdrawing from the proceedings. It would appear that the Opponents did not receive notification from the Referrers of their withdrawal until a letter arrived on 4 May, the day before the date set for the hearing. They were however informed by telephone by the Patent Office on 29 April.

Events since withdrawal

5. When the Referrers withdrew from the proceedings, no reasons were initially given. The Opponents responded by requesting an award of costs in their favour, but the Referrers then objected to this. There followed an exchange of correspondence setting out the different views of the parties concerned. I think the easiest way to explain those views is to set out the correspondence more or less in full.

6. On 13 May the Referrers said:

“The decision to withdraw arose because certain facts were revealed in the exhibits filed with the patentee’s evidence which, in the referrer’s view, made it clear (a) that the patent was invalid and (b) that the patentee should have known that it was invalid.

The Referrers felt that it was inappropriate to have a clearly invalid patent transferred into their names and that the issues involved would be better addressed in revocation proceedings. These are currently under consideration.

The facts referred to above and revealed by the exhibits were clearly known to the patentee at the outset of the present proceedings (and indeed at the time that the patent application was made). The expenses of both sides could have been avoided if the patent applicant had not, against the interests of the public, persisted in applying for a patent and maintaining it on the Register in the full knowledge of its invalidity.

In the above circumstances it is suggested that, if costs are to be awarded, they should be awarded in favour of the Referrers.”

7. The Opponents replied on 17 May as follows:

“The proceedings in question have nothing to do with the validity of the patent. The proceedings in question were directed towards the question of inventorship, and the patentees should be entitled to an award of costs in respect of the proceedings relating to inventorship from which the Referrers withdrew at the last moment.”

8. The Patent Office then made the following proposal to both parties in a letter on 18 May, asking for comments within two weeks:

“In withdrawn proceedings, it is the normal practice for the costs to be borne by the party which withdraws. However, if there is substance in the claim that the exhibits presented by the Patentee render the Patent invalid, there may be justification for departing from normal practice.

In view of the possibility that revocation proceedings may be initiated, it is proposed that consideration of the request for costs should be deferred for two months. If no revocation proceedings have by then been initiated, costs will be settled in favour of the Patentees. If however proceedings have been initiated, the question of costs will be stayed until the proceedings have been resolved. In this case, it will be incumbent on the parties to ensure that the Office is kept fully informed of progress in the proceedings.”

9. Neither party was satisfied with this position. The Opponents’ case was amplified in a letter dated 21 May which stated:

“The patentees, Brisco Engineering Limited, do not agree with the proposal made in the Official letter dated 18 May for dealing with the question of costs. They request that the “normal practice” set out in that letter be followed and that an award of costs be made now.

The question of validity of the patent has nothing whatsoever to do with the proceedings from which the Referrers have just withdrawn. Those proceedings were concerned only with entitlement to ownership and with the identity of the inventor.

If the Referrers see evidence of invalidity in the evidence filed during the previous proceedings, they are of course fully entitled to pursue that question, but in separate proceedings which will be subject to a separate award of costs.

The Referrers made no mention of this invalidity question during the proceedings which have just concluded; they withdrew for unspecified reasons, presumably because they came to the conclusion that they would not succeed. It is noted that the Referrers have had the Patentees' evidence to consider since October 1998. In all the time since then, they have not raised the question of validity; neither have they commenced separate proceedings. It appears to the Patentees that this question has only been raised to avoid having to pay the Patentee's costs for which they became liable when they withdrew from the proceedings which they had commenced.

The Patentees should not be denied or kept waiting for their award of costs merely because the Referrers have written a letter indicating that there are other unconnected matters which they, the Referrers, may wish to pursue.

In any case, the Patentees deny that their patent is invalid and intend to defend any proceedings which might be brought."

10. This was followed by a further letter from the Referrers on 28 May:

"The Referrers contend that there are special circumstances associated with this case which justify a departure from the normal practice for an award of costs to be borne by the party that withdraws from proceedings. By the Patentee's own admissions and evidence in Mr High's Declaration, the Patentee obtained the patent in the knowledge that Claim 1, as granted, was unacceptably broad. It was this illicit breadth of Claim 1 that was responsible for the Referrers' decision to raise Entitlement proceedings.

Evidence of Mr High's knowledge of manifolds pre-dating the priority date of the Patent can be found throughout his Declaration, most notably in paragraphs labelled 5, 6, 15 and 20, in which he states that he had full knowledge of prior art manifolds, however Claim 1, as granted, seeks to cover all manifold designs even those that Mr High knew existed.

The Referrers may wish to pursue the matter for revocation either through the Patent Office or through one of the Courts. Alternatively, the Referrers may consider that the Claims are so wholly invalid that they may choose to ignore them thereby saving cost to both parties. In the latter case the Referrers contend that it would be inequitable to penalise them by payment of some contribution to the Patentee's cost, when it is plain that the patent as granted was and still remains invalid with the full knowledge of the Patentee and that to pursue revocation proceedings would incur further unnecessary cost to both parties.

It should be remembered that had the Patentee not pursued the patent to grant, in the knowledge that it would be invalid, neither party to the present proceedings would have incurred cost.

Accordingly, the Referrers believe that there is sufficient justification to depart from the normal practice of awards of costs and that the Patentee should contribute to the Referrers' costs."

11. This was followed on 16 July 1999 by a further letter from the Agents for the Referrers stating:

"In accordance with your letter of 18 May 1999 I write to advise you that the Referrer has instructed me to determine the best way forward for revocation proceedings against the above referenced patent.

A full investigation of evidence to be used in such proceedings is likely to take considerable time as I need to interview key people involved with the area of technology covered by the patent and people employed with the referrer's company.

Furthermore, time will be required to prepare the evidence for submission in proceedings. Therefore, I respectfully request an extension of three months to the notional deadline which expires on 18 July 1999.”

12. This last letter demonstrated an apparent misunderstanding of the situation. The Office’s letter of 18 May was only a proposal and it had not been agreed by both sides. Thus there was no deadline in force, and so the reference to extending the deadline was meaningless. However, it was clear that a dispute existed concerning whether a decision on costs should be issued straight away, as the Patentees wish, or at some later stage, as advocated by the Referrers. It is incumbent on me therefore to determine this issue first. Both parties have consented to this decision being made on the basis of the papers before me.

Should a decision on costs be issued now?

13. The award of costs in proceedings before the Comptroller falls under Section 107(1), which states:

“The comptroller may, in proceedings before him under this Act, by order award to any party such costs or, in Scotland, such expenses as he may consider reasonable and direct how and by what parties they are to be paid.”

14. I am thus granted considerable discretion. However, practice has developed, and in the case of proceedings being initiated by a party who subsequently withdraws from those proceedings, the normal practice is for an award of costs to be made in favour of the other party. If there are no grounds for deviating from that practice, the Referrers’ justification for asking for consideration of costs to be deferred collapses, so the first question I must address is whether, in the present case, there might be grounds for not following the normal practice.

15. In my view, if it is true that the prosecution of this case by the Referrers has unearthed evidence that the patent is bad, the referrers would have been acting reasonably if they had asked for the reference under section 37 and application under section 13 to be stayed whilst they launched a revocation action. It would be against the public interest, and probably against the interests of both sides, to waste time pursuing litigation which in the end would be

pointless. Accordingly, in these circumstances I would have been very reluctant to deter the referrers from taking the sensible course of action by penalising them for so doing, eg by awarding costs against them for the actions under sections 37 and 13 if these were withdrawn following a successful revocation. In the present case, the Referrers have jumped the gun by withdrawing the section 37 and 13 actions now without waiting to see whether a revocation action succeeds. For present purposes, I am prepared to be generous to them and treat this on the same basis as if they had merely asked for a stay. Thus I accept that there might be grounds for not following the normal practice in the present case.

16. However, there is another side to the story. If it is not true that the evidence that has come to light makes the patent bad, the Opponents have a right to have their costs, and they should not have to wait for them. My difficulty is that without a completed revocation action, I simply do not know whether the evidence that has been unearthed does or does not make the patent bad. I am certainly not going to decide that question in these proceedings, despite the invitation from the Referrers to do so, so all I can do is weigh up the situation and decide what seems the fairest course of action in all the circumstances.

17. I have come to the conclusion that if the Referrers had acted promptly and launched a revocation action as soon as they were in a position to form their view that the patent is bad, it would have been right to follow the course suggested in the Office's letter of 18 May, ie stay the question of costs in these proceedings until the revocation proceedings had been resolved. However, the Referrers have not done this. They have had considerable time to prepare themselves because the exhibits which the Referrers have cited as the reason for their withdrawal were presented in October 1998. It was not until the end of April 1999, after they had already had to take the decision not to file evidence in reply, that they announced their withdrawal, and they left this until just before the hearing. Further, even though three more months have elapsed since then, they have still not done anything and are now saying they will want another three months to think about it.

18. I must also say that I think it would be wrong of me to take any account of the possibility that the referrers might simply decide to ignore the patent. That would be quite unfair on the other side because it would be wide open to abuse, as anyone withdrawing from proceedings they had launched would simply have to assert invalidity to avoid costs that they should

rightly be paying. It goes without saying that it would be quite wrong for the comptroller to attempt to decide whether such an assertion was correct outside the context of revocation proceedings.

19. The Referrers have had their chance and they have not taken it. In my view, the balance now tips in favour of the Opponents. I can see no reason for further delay, and will therefore make a decision on costs now. I again have the consent of both parties for this decision to be made on the basis of the papers.

The level of costs

20. If I am not deferring the decision on costs, there is no basis for departing from the normal practice of awarding costs to the Opponents. In assessing the amount I have taken account of the late stage at which notice of withdrawal was given - some six months after receipt of the Opponents' evidence and over three months after the Referrers' decision not to file evidence in reply.

21. I therefore order ABB Seatec Limited and ASEA Brown Boveri AS jointly to pay to Brisco Engineering Limited the sum of £750 as a contribution to their costs.

Appeal

22. This being a substantive matter, any appeal from this decision must be lodged within six weeks.

Dated this 26th day of July 1999

P HAYWARD

Divisional Director, acting for the Comptroller

THE PATENT OFFICE