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IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS
OF ENGLAND AND WALES
INTELLECTUAL PROPERTY (ChD)
INTELLECTUAL PROPERTY
ENTERPRISE COURT
[2018] EWHC 3432 (ch)



No. IP-2018-000133

Rolls Building
Fetter Lane
London EC4A 1NL

Wednesday, 31 October 2018

Before:

MR DAVID STONE
(Sitting as an Enterprise Judge)

B E T W E E N :

POUL CHANG METAL INDUSTRY COMPANY LIMITED

Claimant

- and -

BAILCAST LIMITED
MR PHILIP FIELDS HAYWARD

Defendants

MR MICHAEL. SILVERLEAF QC (instructed by AA Thornton) appeared on behalf of the
Claimant.

MR NICHOLAS. CADDICK QC and MR JONATHAN. MOSS (instructed by Pannone Corporate)
appeared on behalf of the Defendants.

J U D G M E N T

DAVID STONE (sitting as an Enterprise Judge):

- 1 These proceedings concern whether or not a pneumatic tool used to stretch rubber gaiters over the joints in car axles infringes registered Community design No.30283-0001 ("the RCD"). The tool is manufactured outside the European Union by the Claimant, Poul Chang Metal Industry Company Limited. The RCD is owned by the Second Defendant, Mr Philip Fields Hayward, and exclusively licensed to the First Defendant, Bailcast Limited.
- 2 The single colour image in the RCD is as follows:



- 3 The main application before me is for a stay of these proceedings pending the outcome of proceedings currently before the Landgericht (District Court) in Nürnberg-Fürth, Germany. The application is made by the Defendants on the basis of Articles 29 and 30 of EU Regulation 1215/2012 of the European Parliament and the Council on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (recast), which I will refer to as the "Recast Brussels Regulation". The Recast Brussels Regulation is the descendant of various other enactments, discussed in the cases, which for present purposes were in identical terms. For ease, I have inserted the article numbering from the Recast Brussels Regulation into the excerpts from those cases to which I have referred.
- 4 There is also an unfortunate case management issue: whether a part of the Claimant's claim that is no longer pressed can be removed from the proceedings by amendment of the Claimant's Claim Form and Particulars of Claim, or whether the Claimant should be required to file a Notice of Discontinuance.
- 5 Mr Michael Silverleaf QC appeared for the Claimant and Mr Nicholas Caddick QC and Mr Jonathan Moss appeared for the Defendants.

Background Facts

- 6 The background facts relevant to the issues before me can be briefly stated. They do not appear to be disputed.
 - (a) The Claimant is a Taiwanese company. The First Defendant is a United Kingdom company. The Second Defendant is a director and sole owner of the First Defendant. He lives in the United Kingdom. The Claimant's tool is sold in the European Union by a number of entities, including KS Tools Werkzeuge-Maschinen GmbH ("KS Tools"), a German entity.
 - (b) The Claimant's tool looks as follows:



- (c) KS Tools used to sell the First Defendant's tool but then switched to selling the Claimant's tool.
- (d) On 31 October 2016, the First Defendant's German advisors wrote to KS Tools alleging infringement of the RCD. In response to that letter, and as is common practice in Germany, KS Tools filed a protective letter with each of the competent Community Design Courts in Germany with the aim of preventing any of those courts from issuing *ex parte* injunctions against it for infringement of the RCD. The protective letters were filed jointly with the Claimant and another of the Claimants customers.
- (e) On 1 November 2016, the First Defendant's English advisors wrote to the Claimant alleging infringement of the RCD. That letter referred to the Pre-Action Protocols of this court.
- (f) Correspondence followed.
- (g) On 25 January 2017, the Claimant brought proceedings against the First Defendant in the Landgericht in Frankfurt-am-Main, Germany, seeking a declaration of non-infringement of the RCD. Those proceedings were ill-conceived. As the First Defendant is domiciled in the United Kingdom, the Frankfurt court did not have jurisdiction, absent the First Defendant's consent, to issue a declaration of non-infringement. The First Defendant did not consent and, indeed, submitted that the appropriate forum for a declaration of non-infringement was the United Kingdom. The Frankfurt court indicated that it likely did not have jurisdiction. The Claimant then withdrew the proceedings on 24 August 2017.
- (h) Having been denied its declaration of non-infringement in Germany, the Claimant tried again, this time in the Defendants' United Kingdom domicile, sending a letter before action on 2 March 2018. That letter asked the Defendants to acknowledge that the Claimant's tool does not infringe the RCD, and threatened proceedings in this court.
- (i) The First Defendant then issued proceedings on 17 April 2018 in the Landgericht Nürnberg-Fürth, Germany, against KS Tools for infringement of the RCD by virtue of its sales of the Claimant's tool. KS Tools has filed a defence in those proceedings, alleging that there is no infringement, because the RCD and the Claimant's tool create a different overall impression on the informed user.
- (j) On 9 August 2018, the Claimant commenced these proceedings, seeking a declaration that its tool does not infringe the RCD. As filed, these proceedings also

sought a declaration that the RCD is invalid, but that allegation was withdrawn as soon as the Defendants' advisors pointed out that, absent the Defendants' consent, this court has no jurisdiction to grant such a declaration other than in a counterclaim to an action for infringement, which is not the case here.

- (k) I am told that the German court will hear the action between KS Tools and the First Defendant on 28 November 2018, and it is the Defendants' evidence that that court may well give its decision on the merits on that day. From there, an appeal lies to the relevant Oberlandesgericht (Higher Regional Court) and from there to the Bundesgerichtshof (Supreme Court). It is common ground that this would take some years.
- (l) The Defendants have agreed to be bound by the final decision of the German courts; that is, they have offered to accede to a declaration of non-infringement in these proceedings if they lose the German infringement proceedings.

7 I should add for completeness that I raised with counsel the prospect of the United Kingdom leaving the European Union on 29 March 2019, by which time the German hearing will have taken place, but it is unlikely that these proceedings will have been finally determined at trial: the IPEC is currently listing trials for October 2019. If the United Kingdom has left the European Union by the time of judgment in this case, then absent any agreement between the European Union and the United Kingdom to the contrary, this court will no longer be a Community Design Court and there would therefore be no risk of irreconcilable judgments. Both counsel asked me to ignore any impact of Brexit, and so I have.

The Stay Application

The legal background

8 I turn first to the jurisdictional issue: should this court stay its proceedings until the German proceedings against KS Tools are concluded? The Defendants rely on Articles 29 and 30 of the Recast Brussels Regulation. But it is important first, as both counsel averred, to have an understanding of EU Regulation 6/2002 of 12 December 2001 on Community designs (the "Design Regulation").

9 The jurisdictional articles of the Design Regulation were based on those in the then Council Regulation (EC) 40/94 on the Community trade mark. For the first time, the European Union legislator was faced with an EU-wide intellectual property right and the need to set up a system of courts for adjudicating disputes in relation to that right. Rather than set up a new court or courts, as is proposed for the Unified Patents Court, the decision was made to use existing national courts but to imbue them with pan-EU jurisdiction. This required a new set of rules to determine which national court should have pan-EU jurisdiction to avoid inconsistent judgments or unnecessary parallel proceedings.

10 The desire to avoid "forum shopping" is set out in terms in Recital 30 of the Design Regulation:

"The litigation system should avoid as far as possible 'forum shopping'. It is therefore necessary to establish clear rules of international jurisdiction."

11 Where the Design Regulation mentions "international jurisdiction" it means pan-EU, supra-national jurisdiction. The "clear rules" referred to in Recital 30 are provided in the "cascade" set out in Article 82 of the Design Regulation for certain types of actions, including declarations of non-infringement, if they are permitted under national law (Article

81(b)). A defendant should be sued in the Member State in which it is domiciled (Article 82 (1)). If the defendant is domiciled in a European Union member state, the cascade stops there, and there is, at least in theory, only one Community Design Court which can exercise pan-EU jurisdiction in relation to that dispute. If not domiciled in a European Union Member State, a defendant should be sued in the Member State where it has an establishment. If neither circumstance applies to the defendant, then the proceedings should be brought in the Member State of the domicile of the claimant, or, failing that, the Member State where the claimant has an establishment. An end-stop is provided by the Spanish courts, being the home of the European Union Intellectual Property Office. Thus, the Design Regulation provides clear guidance on where to sue an RCD owner for a declaration of non-infringement, and provides for every eventuality. Clearly, if, as here, the RCD owner is domiciled in the European Union, it should be sued for a declaration of non-infringement in the courts of the Member State of its domicile.

- 12 The parties can avoid the effect of the cascade by the defendant's entering an appearance in the court in which it has been sued: Article 82(4)(b). Article 82(4)(b) creates an additional source of jurisdiction: if the parties agree that a chosen court is to determine their dispute, there is no reason to force them to a different court.
- 13 The Design Regulation thus provides a comprehensive set of jurisdictional rules. To supplement these, Article 79(1) of the Design Regulation provides:

"Unless otherwise specified in this Regulation, the Convention on Jurisdiction and the Enforcement of Judgements in Civil and Commercial Matters, signed in Brussels on 27 September 1968, hereinafter referred to as the 'Convention on Jurisdiction and Enforcement', shall apply to proceedings relating to Community designs and applications for registered Community designs, as well as to proceedings relating to actions on the basis of Community designs and national designs enjoying simultaneous protection."

The opening clause of Article 79(1) makes it clear that in design disputes the Design Regulation takes precedence over the Recast Brussels Regulation.

- 14 Article 79(3) of the Design Regulation expressly excludes from operation some provisions of the Recast Brussels Regulation but it does not expressly exclude what are now Articles 29 and 30 of the Recast Brussels Regulation pleaded by the Defendants. Reliance on these might be thought of as a long-stop or back-up, because the Design Regulation deals in detail with various situations where inconsistent judgments are to be avoided. It is common ground that none of those situations applies in this case.
- 15 Both counsel confirmed that I should take the Design Regulation into account in interpreting the articles of the Recast Brussels Regulation relied on in these proceedings. This must be right. This court is sitting as a Community Design Court exercising pan-EU jurisdiction in relation to a Registered Community Design. To the extent that the Design Regulation provides guidance on jurisdiction, that guidance ought to be helpful.
- 16 Counsel for the Claimant noted a difference between the Design Regulation and the Recast Brussels Regulation. The latter is aimed, he said, at allocating national jurisdiction between one of two places, whereas the former attempts to allocate pan-EU jurisdiction in circumstances where multiple Member States may be relevant. I agree with this submission. There is a tension in applying the Recast Brussels Regulation to disputes under the Design Regulation. It is important therefore not to apply the Recast Brussels Regulation blindly, but to keep in mind at all times the more specific provisions of the Design Regulation,

particularly those dealing with pan-EU jurisdiction and the need to prevent "forum shopping" as far as possible.

Article 29 of the Recast Brussels Regulation

17 Article 29 of the Recast Brussels Regulation states:

"Without prejudice to Article 31(2), where proceedings involving the same cause of action and between the same parties are brought in the courts of different Member States, any court other than the court first seised shall of its own motion stay its proceedings until such time as the jurisdiction of the court first seised is established."

18 It is apparent from the case law that the English language version of Article 29, like the German language version, is incomplete. The German language version reads:

"Werden bei Gerichten verschiedener Mitgliedstaaten Klagen wegen desselben Anspruchs zwischen denselben Parteien anhängig gemacht, so setzt das später angerufene Gericht unbeschadet des Artikels 31 Absatz 2 das Verfahren von Amts wegen aus, bis die Zuständigkeit des zuerst angerufenen Gerichts feststeht."

19 In contrast, the French language version reads:

"Sans préjudice de l'article 31, paragraphe 2, lorsque des demandes ayant le même objet et la même cause sont formées entre les mêmes parties devant des juridictions d'États membres différents, la juridiction saisie en second lieu sursoit d'office à statuer jusqu'à ce que la compétence de la juridiction première saisie soit établie."

20 As is apparent, unlike the French version, the English and German versions do not distinguish between the "same cause of action" and the "same object" as appear in the French version. It is clear from the case law of the Court of Justice that the English and German language versions should be interpreted in light of the majority of the other language versions with the requirement for "the same object" being read in: *Case C-144/86 Gubisch Maschinenfabrik KG v Giulio Palumbo* [1987] ECR 04861, at paragraph 14.

21 It is also well established that Article 29, and indeed Article 30 to which I shall come shortly, have an autonomous EU meaning independent from national law: *Gubisch* at paragraph 11. Further, it is also clear that the stay provided for by Article 29 is a mandatory one: "shall stay". There is no discretion for a second seised court to continue if the relevant aspects of the test are made out.

22 Counsel for the Defendants submitted, and I accept, that there are four relevant parts to the test under Article 29, each and all of which must be established for the mandatory stay to arise: (1) that the German court is the court first seised; (2) that the German proceedings and these proceedings involve the same cause of action; (3) that the German proceedings and these proceedings involve the same object: and (4) that the German proceedings and these proceedings involve the same parties.

23 Counsel for the Claimant did not contest the first of these - the German court, having been seised in April 2018, was clearly seised before this court in August 2018 - but he did contest the other three aspects of the test diligently and vehemently. It is therefore necessary to examine them in some detail.

The same cause of action

- 24 In Case C-406/92 *The owners of cargo lately laden on board the ship 'Tatry' v Owners of the Ship 'Maciej Rataj'* [1994] ECR I-05439, the Court of Justice addressed the meaning of "the same cause of action", holding that the cause of action comprises the facts and the rule of law relied on as the basis of the action. *The Tatry* also stands for the proposition that negative declarations are regarded as being the same as the converse positive enforcement action (see paragraph 40 of the Court of Justice's judgment).
- 25 Counsel for the Defendants submitted that "quite clearly" the German proceedings and these proceedings involve the same cause of action. Both proceedings, he said, are to determine whether the Claimant's tool infringes the RCD; the fact that one is an infringement action and one is a declaration of non-infringement does not matter.
- 26 Counsel for the Claimant conceded, rightly, that the two actions involve the same RCD, but he resisted the application of Article 29 on the basis that the nature and scope of the relief sought in the two actions is different. In my judgment, that is insufficient. Here the facts are relevantly the same, as is the rule of law relied on. Both the German court and this court are asked to determine whether the Claimant's tool creates the same overall impression on the informed user as the RCD. The relief sought in each proceeding is the flipside of the other, but the Court of Justice has been clear that that does not matter. In my judgment, the German proceedings and these proceedings involve the same cause of action.

The same object

- 27 In *The Tatry*, the Court of Justice provided guidance on the meaning of "the object of the action", defining it to mean the end the action has in view. The Court of Justice rejected the notion that a declaration of non-infringement cannot have the same object as an infringement action, holding at paragraphs 42 and 43:

"42. The question accordingly arises whether two actions have the same object when the first seeks a declaration that the plaintiff is not liable for damages as claimed by the defendants, while the second, commenced subsequently by those defendants, seeks on the contrary to have the plaintiff in the first action held liable for causing loss and ordered to pay damages.

43 As to liability, the second action has the same object as the first, since the issue of liability is central to both actions. The fact that the plaintiff's pleadings are couched in negative terms in the first action whereas in the second action they are couched in positive terms by the defendant, who has become plaintiff, does not make the object of the dispute different."

- 28 The Defendants' counsel submitted that the object is the same in these proceedings and in the German proceedings: each will determine whether the Claimant's tool does or does not infringe the RCD. Counsel for the Claimant submitted that the objects were different. In the German proceedings, he said, the outcome will not impact on any third parties: other sellers of the tool will continue to be able to sell it. On the other hand, he said, a declaration by this court that the tool does not infringe the RCD will apply throughout the EU.
- 29 Here I again agree with counsel for the Defendants. While the end each action has in view is the mirror image of the other, the Court of Justice has been clear that that does not matter. In *The Tatry*, one action sought a declaration that A is not liable for damage to a vessel and the other action sought to have A held liable for the loss. The second action sought damages; the first action did not. The Court of Justice held that this was the same object. In

my judgment, even if counsel for the Claimant is right in law - and I am not certain that he is - he has read "object" too broadly in looking at the impact of the proceedings on third parties. What matters is the end the action has in view for the parties, not the wider impact elsewhere. In my judgment, the German proceedings and these proceedings have the same object.

The same parties

30 As with some other aspects of European Union law, "the same parties" does not have its ordinary English meaning. Whilst the First Defendant is common to both actions, the German action involves KS Tools and these proceedings involve the Claimant and the Second Defendant. On an ordinary English language reading, the actions do not involve the same parties.

31 In *The Tatry*, the Advocate General, having reviewed the judgment in *Gubisch*, opined:

"That judgement shows, therefore, that it is necessary and sufficient in order for Article 21 [now Article 29] to be applicable for the parties to be the same, regardless of the procedural position of each of them in the two actions, and for the basic legal relationship from which the situation is relied on by the parties derived to be the same, the latter circumstance arises in particular where the issue raised in an action constitutes a logical pre-condition for the claim on which the other action is based or where the origin of different actions is to be found in the same substantive situation."

32 The Court of Justice accepted this argument at paragraph 31 of its judgment:

"Moreover, as the Advocate General noted in para.14 of his opinion, in the present case it follows by implication from that judgment that the question whether the parties are the same cannot depend on the procedural position of each of them in the two actions and that the plaintiff in the first action may be the defendant in the second."

33 Again, therefore, it does not matter that the First Defendant is the claimant in the German proceedings and the defendant in these proceedings.

34 The Court of Justice further tells us that parties with different legal identities can still be "the same parties" for the purposes of Article 29. In Case C-351/96 *Drouot Assurances SA v Consolidated Metallurgical Industries and Ors* [1998] ECR I-3075, the Court of Justice considered the relationship of insurer and insured, accepting that they could be treated as the same parties. In paragraph 19, the Court of Justice said:

"It is certainly true that, as regards the subject matter of two disputes, there may be such a degree of identity between the interests of an insurer and those of its insured that a judgment delivered against one of them would have the force of *res judicata* as against the other. That would be the case, *inter alia*, where an insurer, by virtue of its right of subrogation, brings or defends an action in the name of its insured without the latter being in a position to influence the proceedings. In such a situation, insurer and insured must be considered to be one and the same party for the purposes of the application of Article 21 [now Article 29] of the Convention [now the Recast Brussels Regulation]."

35 Counsel for the Defendants submitted, and I accept, that *Drouot* stands for the proposition that two parties will be the same where their interests are identical and indissociable in

relation to the subject matter of the two disputes concerned. He referred me to two English decisions where this proposition has been applied. First, in *Re Cover Europe Limited* [2002] EWHC 861, Mr Leslie Kosmin QC, sitting as a Deputy Judge of the High Court, held (at paragraph 23) that a company and its liquidator were the same party. Second, in *Kolden Holdings Limited v Rodette Commerce Limited and Anor* [2002] EWHC 1597, Aikens J held as follows (at paragraph 56):

"Although the ECJ was concerned [in *Drouot*] with the particular question of the relative interests of an insurer and its insured, I think it is clear that the court intended to lay down principles of more general application. First, the judgment establishes, as a matter of the 'independent' interpretation of Article 21 of the Convention [now Article 29 of the Recast Brussels Regulation] the two legal entities can be regarded as 'the same party' for the purposes of what was Article 21 of the Convention [and is now Article 29 of the Recast Brussels Regulation]. Secondly, whether that is so in any particular case will be a matter for the national court to decide. Thirdly, the national court must look at the facts of the case concerned and, in particular, 'the subject matter of the two disputes' in the two relevant proceedings to see if the two legal entities are to be regarded as 'the same party' for the purposes of Article 21 [29]. Fourthly, the test that the national court must apply is: are the interests of the two legal entities involved in the two disputes identical to and indissociable from one another in relation to the subject matter of the two disputes concerned? Fifthly, one way of [determining] this identity of interest is by asking whether a judgment against one legal entity in respect of the subject matter of the two disputes would have the force of *res judicata* against the other legal entity".

- 36 Counsel for the Defendants conceded that there is no likely *res judicata* on the present facts but said that, whilst sufficient, that is not a necessary requirement of the test laid down by Aikens J. I agree with counsel for the Defendants' submission on the law. Aikens J says "one way of demonstrating this identity" - therefore there may be others. The absence of *res judicata* here is therefore not fatal to the Defendants' application.
- 37 Turning to the present facts, counsel for the Defendants submitted that the interests of the claimant in these proceedings are identical and indissociable from those of KS Tools in the German proceedings when assessed by reference to "the subject matter of the two disputes". Both KS Tools and the Claimant, he said, wish to establish that the Claimant's tool does not infringe the RCD. There are no current or potential issues of conflict between the interests of the Claimant and KS Tools: both parties, he said, share the interest of proving that the tool does not infringe the RCD.
- 38 Furthermore, counsel for the Defendants relied on three further aspects of the factual matrix: (1) that both the Claimant and KS Tools have used the same German lawyer; (2) that both the Claimant and KS Tools were parties to the protective letter to which I referred earlier; and (3) that KS Tools' German lawyers at one stage of the proceedings explained a delay in their responding because they needed to discuss matters with the Taiwanese lawyers acting for the Claimant.
- 39 Counsel for the Defendants was, in my judgment, right not to press these procedural matters too highly. Whilst it is clear that the national court must look at all the facts of the case before it, it does not seem to me that procedural matters, such as using the same lawyer or law firm, can readily establish whether two parties' interests are identical and indissociable. Nor does it assist the Defendants that one of the German lawyers mixed up references to KS

Tools and the Claimant on one occasion. That sort of simple error would be an inappropriate basis on which to found a mandatory stay of proceedings.

40 Counsel for the Claimant submitted that the appropriate test for me to apply in assessing whether the parties' interests are identical and indissociable is to ask whether no conflict can arise under any circumstances. He submitted that KS Tools, having previously been supplied with tools by the First Defendant, may well switch allegiance again and settle the proceedings with the First Defendant. In such circumstances, KS Tools' interests would not be identical to the Claimant's: indeed, they would be antithetical.

41 In my judgment, having taken into account all the facts before me and the submissions of the parties, it cannot be said that the interests of the Claimant and KS Tools are identical and indissociable. As counsel for the Claimant pointed out, neither the Claimant nor KS Tools exercises any control over the other. KS Tools is a customer of the Claimant and sells the Claimant's products in Germany and other European Union Member States. KS Tools used to sell the First Defendant's tools and then switched to selling the Claimant's tools. What, asked counsel for the Claimant, is to stop KS Tools switching again by settling with the First Defendant in Germany and presumably submitting to EU-wide injunctions? The possible divergence of interests indicates that they are not the same. In my judgment, on the facts of this case, the interests of KS Tools and the Claimant are not indissociable.

42 I am confirmed in that view by the following. First, the cases to which I was referred involve relationships significantly closer than supplier and customer. In *The Tatry*, it was insurer and insured. In *Re Cover Europe*, it was company and liquidator. In *Kolden Holdings* it was assignor and assignee. In each case, one party stands in the shoes of the other and *res judicata* is likely. That is not the case on the present facts.

43 Second, as discussed above, the Design Regulation sets out a careful jurisdictional cascade for deciding where pan-EU proceedings should be commenced for a declaration of non-infringement. The Design Regulation allocates that first to the domicile of the RCD owner, if that is in the European Union. It would subvert that primary allocation of jurisdiction if the RCD owner could sue anyone in the EU who was *using* the design, and thereby obtain a mandatory stay of all other proceedings including any attempt by the manufacturer to clear the way by commencing an action for a declaration of non-infringement. Such an interpretation does not limit "forum shopping": indeed it would encourage it. It would encourage RCD owners to sue an under-resourced seller in a Member State where proceedings may take some years, so as to avoid a declaration of non-infringement at home. This cannot be the aim of Article 29 of the Recast Brussels Regulations, when read properly in light of the Design Regulation.

44 Third, if counsel for the Defendants were correct and KS Tools and the Claimant are the same parties, then so too would be KS Tools and any other customers of the Claimant who are selling the Claimant's tool in the EU. If that were the case, the Defendants could not sue each of the allegedly infringing customers because the cause of action would be the same, the object would be the same, and the parties would be the same for the purposes of Article 29. Again, this cannot be right. An RCD owner is entitled to sue whichever infringers it wishes. It is not limited to that which it sues first. It is not an answer to say that the different levels of damages mean that the objects are different. In the case before me, damages are in issue in the German proceedings but not in these proceedings. That is therefore yet another reason why the Defendants' position cannot be correct.

45 In my judgment, KS Tools and the Claimant are not the same parties for the purposes of Article 29 of the Recast Brussels Regulation. Article 29, therefore, does not apply and the Defendants are not entitled to a mandatory stay of these proceedings.

Article 30 of the Recast Brussels Regulation

46 I turn now to Article 30 of the Recast Brussels Regulation, which reads:

"1. Where related actions are pending in the courts of different Member States, any court other than the court first seised may stay its proceedings.

2. Where the action in the court first seised is pending at first instance, any other court may also, on the application of one of the parties, decline jurisdiction if the court first seised has jurisdiction over the actions in question and its law permits the consolidation thereof.

3. For the purposes of this Article, actions are deemed to be related where they are so closely connected that it is expedient to hear and determine them together to avoid the risk of irreconcilable judgments resulting from separate proceedings."

47 Counsel for the Defendants did not rely on Article 30(2).

48 It is immediately clear from the wording of Article 30(1) that there are two significant differences from Article 29. First, there is no requirement that the parties be the same, and second, the stay referred to is discretionary, unlike the mandatory stay required by Article 29 (see Case C-129/92 *Owens Bank Ltd v Fulvio Bracco Industrial Chimica SpA* [1994] ECR I-117). The only requirement laid down by Article 30 is that "related actions are pending in the courts of different Member States". If they are, then any court other than the court first seised *may* exercise its discretion to stay its proceedings.

49 It was common ground between the parties that if I grant a stay under Article 30, these proceedings will continue after any stay is lifted. Counsel for the Claimant made the point that these proceedings will have to be heard eventually and all a stay will do is cause delay. It was also common ground that, if I refuse a stay, little will happen in these proceedings prior to 28 November 2018, when the German court will determine the action between KS Tools and the First Defendant. Acknowledgements of service will be due from both Defendants but no substantive documentation will be due until some weeks after 28 November 2018. There is therefore no real risk of significant costs expenditure in these proceedings between now and 28 November 2018.

Related actions

50 Are the German proceedings and these proceedings related actions? In his skeleton argument, counsel for the Claimant did not appear to contest that the German proceedings and these proceedings are related actions; I agree. Taking the "broad commonsense approach" set out by Lord Saville in *Sarrio SA v Kuwait Investment Authority* [1992] 3 WLR 1143, the two sets of proceedings are clearly related within the meaning of Article 30, and I so find.

51 Counsel for the Claimant raised in oral argument a point in relation to Article 30(3), which deems actions to be related where "they are so closely connected that it is expedient to hear and determine them together". It was common ground that the German court cannot hear and determine the proceedings before this court: under German law, the Claimant cannot

become a party to the German proceedings and cannot obtain there the declaration of non-infringement it seeks in these proceedings.

- 52 I do not consider this to be a bar to the application of Article 30. Article 30(3) sets out that proceedings it is expedient to hear and determine together will be related actions for the purposes of Article 30, but as a deeming provision, it does not require actions to be able to be heard and determined together in order for those actions to be related actions for the purposes of Article 30. It is a sufficient, but not necessary, requirement. This position is consistent with the case law to which I was referred: see, for example, *Nomura International Plc v Banca Monte Dei Paschi Di Siena SpA* [2014] 1WLR 1584 per Eder J.

The exercise of my discretion

- 53 In light of my finding that these proceedings and the German proceedings are related actions, I must therefore exercise my discretion. There has been useful guidance on the exercise of discretion under Article 30 and its predecessors. In *Owens Bank*, citing Case C-351/89 *Overseas Union Insurance Ltd and Ors v New Hampshire Insurance Company*, [1991] ECR I-3317, Advocate General Lenz said at paragraph 75:

"National courts must bear in mind that the aim of this provision is 'to prevent parallel proceedings before the courts of different Contracting States and to avoid conflicts between decisions which might arise therefrom'."

- 54 Further, it is clear that, if there is any doubt, a stay should be granted: see *Starlight Shipping Co v Allianz Marine and Aviation Versicherungs AG and Ors (The Alexandros T)* [2013] UKSC 70. Indeed, Lord Clarke in that case appeared to go further than this, suggesting that there is a "strong presumption in favour of a stay" (at paragraph 92). Further, Lord Clarke also in this paragraph drew out three particular factors from Advocate General Lenz's opinion in *Owens Bank* that I should consider in the exercise of my discretion: (1) the extent of relatedness between the actions and the risk of mutually irreconcilable decisions; (2) the stage reached in each set of proceedings; and (3) the proximity of the courts to the subject matter of the case. Counsel for the Defendants addressed each of these factors.

- 55 First, he put the relatedness of the German proceedings with these proceedings highly, noting that they both involved the same RCD, the same tool and seek pan-EU relief. He submitted that the only difference between the two proceedings is that the Claimant is a party to these proceedings, whereas KS Tools is a party to the German proceedings. I have already rejected the Defendants' arguments that KS Tools and the Claimant are the same parties for the purpose of Article 29 of the Recast Brussels Regulation. Even so, counsel for the Defendants submitted that the Claimant and KS Tools enjoy a close relationship; as a result, there is a real risk of irreconcilable judgments, he said, the very thing that Article 30 is aimed at reducing.

- 56 On the second factor, counsel for the Defendants submitted that the German proceedings are far further advanced, and indeed, the Defendants' evidence is that the German court will most likely give its judgment on the merits on 28 November 2018. That is significantly before this court will consider the merits.

- 57 Third, counsel for the Defendants argued that this court and the German court are "equally proximate" to the issue of infringement. However, he said that, as a question of commercial reality, the German court is much closer to the dispute for two reasons: first, because the question before this court is entirely hypothetical and second because the German market is important to the Defendants.

- 58 Counsel for the Defendants also submitted a number of other matters which he said were relevant to the exercise of my discretion, including: that the Claimant is "forum shopping"; that proliferation of proceedings should be avoided; that there will be a significant saving of time and money for both sides if these proceedings are stayed; and that the Claimant has delayed in bringing these proceedings.
- 59 Counsel for the Claimant described the "elephant in the room" as the First Defendant's refusal to accept the jurisdiction of the Frankfurt court in 2016, when the Claimant requested from that court a declaration of non-infringement. The Frankfurt court could have been granted jurisdiction under Article 82(4)(b) of the Design Regulation, he said, by the First Defendant's entering an appearance. It did not do so. Instead, it contested jurisdiction and submitted that the English courts were the appropriate forum under the jurisdictional cascade of the Design Regulation to which I have referred. Counsel for the Claimant submitted that the Defendants should now be held to that election. He said that in denying German jurisdiction in favour of England, and now denying English jurisdiction in favour of the German court, the Defendants have engaged in an abuse of process. The Defendants should, he said, be held to their choice so as to avoid the "forum shopping" which Recital 30 of the Design Regulation specifically sets out to avoid. If there is a risk of inconsistent judgments, he said, it is a risk entirely of the First Defendant's own making.
- 60 Further, he submitted that whilst the German proceedings are further advanced at this time, the English proceedings are likely to be concluded earlier. I was told that in Germany an appeal is a matter of right. In this jurisdiction, permission is needed and, as counsel for the Claimant submitted, difficult to obtain. He mentioned that applying for summary judgment on at least part of the Claimant's claim would advance the resolution of the English proceedings, perhaps significantly. He also argued that the Claimant is entitled to commercial certainty and the best way of achieving that is in an action for a declaration of non-infringement between the Claimant and the owner of the RCD.
- 61 In my judgment, it is appropriate to exercise my discretion against granting a stay. I am mindful of Lord Clarke's strong presumption in favour of a stay and I have weighed that heavily in considering the exercise of my discretion. I have also taken into account the cases to which I was referred and the detailed and helpful submissions of counsel, but I agree with counsel for the Claimant that if there is a risk of inconsistent judgments, that risk is of the Defendants' making. Further, I do not wish to put that risk too highly, given the particular timings in this case. No matter how quickly this court moves, it will, on the Defendants' own evidence, have the benefit of a German first instance decision prior to considering the merits of the Claimant's declaration of non-infringement. That is exactly what Article 30 sets out to achieve, and it will be achieved in this case without a stay. As counsel for the Defendants conceded, this court will have to hear this matter eventually. In my judgment, delaying that achieves no purpose other than delaying the commercial certainty which the Claimant seeks and to which it is entitled. The fact that this court will have the benefit of the German court's findings lowers the risk of inconsistent decisions.
- 62 I should say something briefly about proximity. I do not accept counsel for the Defendants' argument that the German court is more proximate to the subject matter of the case. That is because I do not accept that these proceedings are purely hypothetical. The Design Regulation expressly provides for declarations of non-infringement if they are available under national law as they are (relevantly) in England and Wales. They are an important tool whereby a business threatened with infringement proceedings can clear the air one way or another. They are not hypothetical, especially in circumstances where allegations of infringement have been made, as they were in the letter before action sent by the Defendants' English advisors. The Design Regulation also expressly sets out where those

proceedings should be commenced: the domicile of the RCD owner. In this case, that is this country. These proceedings are therefore, in my judgment, quite real and quite proximate. The Claimant, albeit belatedly, has done what the Design Regulation requires of it.

63 As these proceedings were filed in the IPEC, I have also been very mindful of costs. Doing the best I can, I do not estimate that refusing a stay will increase costs over granting one. As I have noted above, little will happen in this action between now and 28 November 2018. This court will, on the Defendants' evidence, have the advantage of the German court's judgement on infringement prior to considering substantively the issue of non-infringement. The Defendants will also have the advantage of the German court's judgement prior to having to file a defence in these proceedings. If either side persists with a case which is hopeless in light of the German first instance decision, it will be at risk on costs. Therefore, I decline to exercise my discretion to stay these proceedings under Article 30 of the Recast Brussels Regulation.

64 The Defendants' application for a stay of these proceedings therefore fails.

The Discontinuance Issue

65 The second issue before me is the Claimant's agreement to drop its claim in these proceedings for a declaration that the RCD is invalid, but its refusal to do so by way of a Notice of Discontinuance. Rather, the Claimant says it should be able to do so by amending its Claim Form and Particulars of Claim. The difference, I'm told, is one of the procedure for obtaining costs. If a Notice of Discontinuance is issued, the Claimant is required under the CPR to pay the other parties' costs (CPR Rule 38.6). If an amendment is made, the other parties would have to seek an order that those costs be paid.

66 At the time the controversy began, I am told that the relevant costs in issue were approximately £500. The correspondence on the issue has now generated costs on the Defendants' side of £3,609.50, which exceeds the IPEC stage costs cap of £3,000. Assuming the Claimant's costs are roughly similar, the parties have spent approximately £7,000 fighting over £500. This would appear to be grossly disproportionate.

67 CPR Rule 38.1 provides:

"(1) The rules in this Part set out the procedure by which a claimant may discontinue all or part of a claim.

(2) A claimant who -

(a) claims more than one remedy; and

(b) subsequently abandons his claim to one or more of the remedies but continues with his claim for the other remedies,

is not treated as discontinuing all or part of a claim for the purposes of this Part."

68 Counsel for the Defendants submitted that in agreeing to discontinue the claim for a declaration of invalidity of the RCD, the Claimant has agreed to discontinue one distinct head of its claim. In doing so, he said, the Claimant must file a Notice of Discontinuance and pay the Defendants' costs. This court has no jurisdiction to hear a claim for a declaration of invalidity of an RCD, absent a claim for infringement or consent. The court has jurisdiction to hear causes of action, not remedies, and in having discontinued a cause of action, the Claimant, he said, must file a Notice of Discontinuance.

- 69 Counsel for the Claimant's answer was a simple one: the CPR, he said, says "may", which gives the Claimant the option of filing a Notice of Discontinuance or, in the alternative, taking some other action to remove the claim, such as amending the Claim Form and Particulars of Claim. Counsel for the Claimant said his client is happy for the Defendants to have their costs of the amendment but says they will be small. The Claimant having conceded that the claim was improperly made, the appropriate course, he said, was for the Defendants to quantify the costs and ask for them. He described the dispute since 24 August 2018 as "wrongheaded" and "pointless and unnecessary".
- 70 The CPR provides limited guidance on an issue that must arise regularly in practice. Whilst both counsel's arguments have merits, it does not seem to me that both can be right. How then should a party set about abandoning a part of its claim? In my judgment, that depends on what is being abandoned. CPR 38.1 provides "abandoning one or more of the remedies is not to be treated as discontinuing all or part of a claim", but the Claimant here is abandoning more than a remedy: it is abandoning the cause of action for a declaration of invalidity. Whilst the remedy is also a declaration of invalidity, that remedy must be attached to a cause of action. The cause of action cannot be the declaration of non-infringement (being the cause of action that remains): this is because on a declaration of non-infringement, the validity of the RCD cannot be called into question (Article 84(4) of the Design Regulation). So the remedy of a declaration of invalidity cannot be based on the cause of action of a declaration of non-infringement. The only conclusion that can be reached is that the declaration of invalidity is based on a different cause of action, albeit one for which this court currently lacks jurisdiction. It is also clear from CPR 38.1 that, were the Claimant to abandon its whole claim, including all the causes of action which make it up, then CPR 38.1 would apply and a Notice of Discontinuance would be required.
- 71 I should add that I do not consider that the use of "may" in CPR 38.1 assists the Claimant. The CPR does not provide for any other methods of abandoning all or part of a claim, so the reference in CPR 38.1 to "may" applies, in my judgment, to parties who may discontinue all or part of a claim, but it applies mandatorily. That is, if a party decides to abandon all or part of a claim (and there is no compunction for it to do so, hence "may") then it *must* use the procedures set out in the part.
- 72 In my judgment, a notice of discontinuance is required for the discontinuance of a single cause of action within the claim. This is "part of the claim" as set out in CPR 38.1. If each cause of action is not to be treated as "part of a claim" then each could be removed by amending the Claim Form and Particulars of Claim, including, arguably, the last cause of action. No Notice of Discontinuance would then be required and there will be no automatic right to costs for the other party or parties. That cannot be right.
- 73 In my judgment, on the facts of this case, the Claimant's abandonment of its claim for a declaration of invalidity is the discontinuance of part of the claim. It is not merely the abandonment of a remedy. If the Claimant wishes to discontinue its claim for a declaration of invalidity, it must do so by filing a Notice of Discontinuance, with the costs consequences that follow.

LATER

Costs

Costs of the Stay Application

- 74 I have just given an oral judgment refusing to grant the Defendants' application to stay these proceedings in favour of related proceedings in Germany. The Claimant, through its

counsel, has asked for its costs. Usually in the IPEC, assessment of costs would be delayed until the proceedings have concluded. However, CPR Rule 45.30 provides:

"(1) Subject to paragraph (2), this Section applies to proceedings in the Intellectual Property Enterprise Court.

(2) This Section does not apply where -

(a) the court considers that a party has behaved in a manner which amounts to an abuse of the court's process ...".

75 The question, therefore, arises at this stage as to whether or not the Defendants have behaved in a manner which amounts to an abuse of the court's process. If they have, then it was common ground that I am required to assess costs summarily now and to lift the costs cap normally applicable in IPEC proceedings.

76 In relation to an abuse of the court's process, counsel for the Claimant relied on my judgment just given. He submitted that what he described as the Defendants' "forum shopping" amounted to an abuse of the court's process. He relied on my finding where I said "I agree with counsel for the Claimant that if there is a risk of inconsistent judgments, that risk is of the Defendants' making". Counsel for the Claimant conceded that whilst he submitted earlier that there had been an abuse of process, I had not made a finding to that effect in my earlier judgment.

77 There is very limited guidance on what constitutes an abuse of process for the purposes of CPR Rule 45.30. I was told that until earlier this month, there were in fact no decisions in the IPEC dealing with the notion. However, there is now a decision in *Link Up Mitaka Limited t/a thebigword v Language Empire Limited & Anor* [2018] EWHC 2728 (IPEC), a decision of HHJ Melissa Clarke (sitting as a Deputy Judge of the High Court). That decision dealt in detail with the relevant statutory basis behind CPR Rule 45.30 and also the few extant authorities that assist in the assessment of what is an abuse of process for present purposes. As found by Her Honour, that case involved defendants who had been dishonest in their dealings before the court which led to a hindering of the claimant's efforts to quantify the claim and the court's attempts fairly and justly to assess damages. Her Honour found that there had been an abuse of process and that the test in *Hunter v Chief Constable of West Midlands Police* [1982] AC 529 at page 536C had been made out. In that earlier decision, Lord Diplock said:

"My Lords, this is a case about abuse of the process of the High Court. It concerns the inherent power which any court of justice must possess to prevent misuse of its procedure in a way which, although not inconsistent with the literal application of its procedural rules, would nevertheless be manifestly unfair to a party to litigation before it, or would otherwise bring the administration of justice into disrepute [amongst] right-thinking people."

78 In *Link Up Mitaka*, Her Honour found that both limbs of Lord Diplock's test were made out. At paragraph 24 of her judgment, Her Honour said:

"I did not make this decision lightly. I accept and understand that the costs cap is a key feature and benefit of litigation in IPEC, and that certainty about the application of the Scale Costs Scheme is extremely important to facilitate access to justice for litigants in lower value intellectual property claims."

- 79 Counsel for the Claimant relied on my recitation of his submissions set out in the judgment that I have given earlier today. In short, he submitted that the Defendants had the option of responding to the Claimant's earlier German proceedings for a declaration of non-infringement, but instead submitted to the German court that it lacked jurisdiction and that the matter was better and more appropriately heard in the United Kingdom. The Claimant having filed proceedings here, the Defendants then sought to have these proceedings stayed in favour of a third set of proceedings which the First Defendant had in the meantime commenced in Germany. Counsel for the Claimant submitted that this was clearly an abuse of the court's process and ought to engage CPR 45.30.
- 80 Counsel for the Defendants submitted that in reality all the Defendants had done was what would be usual in these sorts of proceedings, which is an application to test the court's jurisdiction. Indeed, counsel for the Defendants submitted that this is the first time that an English court has considered the interaction of the Design Regulation and the Recast Brussels Regulation. Counsel for the Defendants submitted that the Defendants were entitled to bring the application, that it was a usual application to bring, and that the mere bringing of the application was not an abuse of the court's process but rather an ordinary procedural event that would happen in litigation of this nature. He referred me to the findings of dishonesty relied on by HHJ Melissa Clarke in *Link Up Mitaka* and said, quite rightly, that there is no suggestion in this case that the Defendants have been dishonest.
- 81 In my judgment, the Defendants have not behaved in a manner which amounts to an abuse of the court's process. In my judgment, this case is distinguishable from the facts before Her Honour in that there is no suggestion of dishonesty. Rather here the Defendants have quite properly, although, as it turns out, wrongly, sought to rely on the Recast Brussels Regulation to attempt to stay these proceedings. This is quite a usual step in proceedings, not one which, in my judgment, amounts to an abuse of the court's process. I therefore refuse the Claimant's application.
- 82 Whilst I have not taken the following into account in reaching my conclusion, this is the second time this week I have been asked to lift the costs cap because of an allegation of an abuse of process. It seems to me, relying on HHJ Melissa Clarke's words at paragraph 24 of her judgment, that finding an abuse of process is not a decision to be made lightly. Parties are to be discouraged from alleging an abuse of process where none exists. The IPEC is a low cost jurisdiction designed to attract small and medium sized enterprises to help them in the enforcement of their intellectual property rights. As such, the costs scheme is designed to ensure that litigants are not at risk of very high costs awards unless they engage in an abuse of process. It is therefore inappropriate to find abuses of process lightly.
- 83 Having refused the application to lift the cap, it is unnecessary for me to assess the costs requested. However, if I am wrong in relation to my finding of an abuse of process and I ought to have lifted the costs cap, then I would have awarded the Claimant the total of the costs it sought, being £30,208, on the basis that I do not agree with any of the criticism of those costs made by counsel for the Defendants.

LATER

Costs of the Notice of Discontinuance Application

- 84 I have earlier today given judgment on what I described as the Discontinuance Issue. I have found that the Claimant was wrong to resist filing a Notice of Discontinuance having abandoned its claim for a declaration of invalidity of the RCD. The Defendants therefore seek their costs. As I have set out earlier, those costs were initially approximately £500.

However, since then, over £3000 has been expended by them in the dispute about the Notice of Discontinuance.

85 Counsel for the Claimant noted that the Claimant has previously offered to pay the Defendants' costs up to 24 August 2018 in the amount of approximately £500. He repeated that offer before me. He does, however, resist paying the larger figure.

86 CPR Rule 38.6 provides:

"Unless the court orders otherwise, a claimant who discontinues is liable for the costs which a defendant against whom the claimant discontinues incurred on or before the date on which notice of discontinuance was served on the defendant."

87 On a strict reading of the rule, as the Notice of Discontinuance has not yet been filed, the Defendants ought to be entitled to all their claimed costs, up to the IPEC stage cap of £3000, to be assessed at the end of the proceedings. However, Rule 38.6 includes the proviso "unless the court orders otherwise", and I propose to do so.

88 Counsel for the Claimant described the dispute on this issue to be "wrongheaded" and "pointless and unnecessary". I agree. It was grossly disproportionate for the parties to run up the costs they have when there were more cost-effective ways to deal with it. On that basis, in the exercise of my discretion, I order that the Claimant pay forthwith the costs of the discontinuance up to 24 August 2018 and that there shall be no order as to costs in relation to the remainder of the Discontinuance Issue.

CERTIFICATE

Opus 2 International Ltd. hereby certifies that the above is an accurate and complete record of the proceedings or part thereof.

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This transcript has been approved by the Judge