



Neutral Citation Number: [2019] EWHC 881 (Pat)

Case No: HP-2016-000018

IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS OF
ENGLAND AND WALES
INTELLECTUAL PROPERTY LIST (ChD)
PATENTS COURT

The Rolls Building
7 Rolls Buildings
Fetter Lane
London EC4A 1NL

Date: 19/03/2019

Before:

HIS HONOUR JUDGE HACON
(sitting as a Judge of the High Court)

Between:

(1) ANAN KASEI CO. LTD
(2) RHODIA OPERATIONS S.A.S
- and -

Claimants

(1) MOLYCORP CHEMICALS & OXIDE (EUROPE) LTD
(now named Neo Chemicals and Oxides (Europe) Ltd)
(2) NEO PERFORMANCE MATERIALS, INC
(a company incorporated under the laws of Ontario)

Defendants

MR. THOMAS MITCHESON QC and MR. MILES COPELAND (instructed by
Hogan Lovells International LLP) appeared for the **Claimants**.

MR. RICHARD MEADE QC and MR. ADAM GAMSA (instructed by
Bird & Bird LLP) appeared for the **Second Defendant**.

Approved Judgment

Digital Transcription by Marten Walsh Cherer Ltd.,
1st Floor, Quality House, 6-9 Quality Court, Chancery Lane, London WC2A 1HP.
Telephone No: 020 7067 2900. Fax No: 020 7831 6864 DX 410 LDE
Email: info@martenwalshcherer.com
Web: www.martenwalshcherer.com

HIS HONOUR JUDGE HACON :

1. This is an application to set aside or alternatively to vary the order of Nicholas Caddick QC sitting as a Deputy High Court Judge, dated 18th December 2018. The order stems from a trial for patent infringement heard by Roger Wyand QC in January 2018. The patent was the UK designation of European Patent No. 1 435 338 B1 for an invention entitled “Ceric Oxide and method for production thereof and catalyst for exhaust gas clarification”. Ceric oxide is mainly used for purifying vehicle exhaust gases.
2. On 23rd April 2018, Roger Wyand QC handed down judgment following trial of the substantive action, in which he found that the patent was valid and had been infringed.
3. The first claimant is the proprietor of the patent, the second claimant is the exclusive licensee. I need not distinguish them and I will call them “Rhodia” as did Mr. Caddick.
4. The first defendant, called “Neo UK” by Mr. Caddick, is the party found by Mr. Wyand to have infringed by dealing in ceric oxide products in this country. The second defendant, which has been called “Neo Canada”, is part of the same group. Neo Canada was not a party to the trial but was joined in the proceedings pursuant to Mr. Caddick's order of 18th December 2018.
5. In 2016 there was a restructuring of the group. On 31st August 2016, Neo UK became a subsidiary of Neo Cayman Holdings Inc, referred to as “Neo Cayman”. On 30th November 2017, Neo Cayman was acquired by Neo Canada. The period between 31st August 2016 and 30th November 2017, when Neo UK was acquired by Neo Cayman but was not yet ultimately owned by Neo Canada, took on significance in Mr. Caddick's judgment and he referred to it as “the Neo Cayman period”. He called the period after 30th November 2017, when Neo Canada was Neo UK's ultimate parent, “the Neo Canada period”.
6. After judgment in the infringement action was handed down by Mr. Wyand, he made an order dated 6th June 2018, including an order that Neo UK should give *Island Records* disclosure. The requirements for this disclosure are set out in some detail in Mr. Wyand's order. I was told today that Rhodia have elected for an inquiry, although, as yet no points of claim have been served.
7. Rhodia say that they became aware that Neo UK may not be good for the damages or costs. So by an application notice dated 2nd August 2018, they sought to join Neo Canada to the proceedings as joint tortfeasor. Rhodia make no bones about having sought join Neo Canada because it has more funds. There is nothing intrinsically wrong in that.
8. The application to join Neo Canada was made *ex parte* on 4th December 2018. Rhodia argued that Neo Canada was jointly liable with Neo UK for Neo UK's acts of infringement, during both the Neo Cayman period and the Neo Canada period.
9. The application came before Mr Caddick. He set out CPR 19.2(2):

“The court may order a person to be added as a new party if –

- (a) it is desirable to add the new party so that the court can resolve all the matters in dispute in the new proceedings; or
 - (b) there is an issue involving the new party and an existing party which is connected to the matters in dispute in the proceedings, and it is desirable to add the new party so that the court can resolve that issue.”
10. Rhodia relied on rule 19.2(2)(b). Mr Caddick identified in that sub-paragraph three requirements: first, that there was a triable issue between Rhodia and Neo Canada, secondly that the issue was connected to the matters in dispute between Rhodia and Neo UK and thirdly that it was desirable to add Neo Canada to the action so that the court can resolve that issue.
11. So far as the Neo Cayman period was concerned, there were two limbs to Rhodia’s argument on triable issue: first, Neo Cayman was jointly liable for Neo UK’s infringing acts and secondly, when Neo Canada acquired Neo Cayman, it assumed Neo Cayman’s joint liability.
12. Mr. Caddick found that there was no triable issue on either limb. He therefore rejected Rhodia’s argument that Neo Canada was a joint tortfeasor in relation to the Cayman period. But Mr. Caddick found that there was a triable issue in relation to the Neo Canada period.
13. He said this:
- “43. The basis of Rhodia’s claim in this regard is set out in paragraph 12 of the Re-Re-Amended Particulars of Infringement. The claim is that, presumably at Rhodia’s request, two shipments of cerium oxide had been seized by the UK Border Force in July 2017. However, after these goods were released to Neo UK in December 2017, a portion of them were exported by Neo UK to Germany and the rest retained. Mr. Mitcheson submitted that given the significance of the event, the decision (presumably meaning the decision to export a portion of the goods) could only have been taken or procured by Neo Canada.
44. In my judgment there is a triable issue as to whether Neo Canada is a joint tortfeasor in this regard. What distinguishes this from the position during the earlier Neo Cayman period, is that the seizure, release and subsequent dealings with shipments of a product that was said to infringe all took place in the context of the on-going litigation with Rhodia. This was litigation in which (as mentioned above) Mr. Morris in his capacity as a representative of Neo Canada was actively involved and was giving instructions on behalf of Neo UK.”
14. The triable issue in the Neo Canada period related to two shipments of cerium oxide seized by the UK Border Force in July 2017. The shipments were released to Neo

UK in December 2017. They were referred to in Mr. Caddick's judgment as “the Seized Goods”.

15. As to the second and third requirements of rule 19.2(2)(b), Mr. Caddick found that Rhodia’s claim in respect of the Seized Goods was connected to the matters in dispute between Rhodia and Neo UK. He also found that it was desirable to join Neo Canada in relation to this claim, accepting that there was a risk of prejudice to Rhodia if Neo Canada was not joined. Permission was therefore given to join Neo Canada.
16. Next, Mr. Caddick considered whether he should give permission to serve Neo Canada out of the jurisdiction. Rhodia relied on three of the gateways set out in paragraph 3.1 of Practice Direction 6B. They were:

“(2) A claim is made for an injunction ordering the defendant to do or refrain from doing an act within the jurisdiction.

(3) A claim is made against a person (‘the defendant’) on whom the claim form has been or will be served (otherwise than in reliance on this paragraph) and –

(a) there is between the claimant and the defendant a real issue which it is reasonable for the court to try; and

(b) the claimant wishes to serve the claim form on another person who is a necessary or proper party to that claim.

...

(9) A claim is made in tort where –

(a) damage was sustained, or will be sustained, within the jurisdiction; or

(b) damage which has been or will be sustained results from an act committed, or likely to be committed, within the jurisdiction.”

17. The judge referred to the judgment of the Supreme Court in *Four Seasons Holdings Incorporated v Brownlie* [2017] UKSC 80. He accepted that there was sufficient case for gateways (2) and (9), but not (3). Rhodia was given permission to serve out of the jurisdiction.
18. After the hearing Rhodia sought permission from the judge to appeal the part of the judgment finding no triable issue in relation to the Neo Cayman period. This was dealt with on the papers. In his judgment dated 15th February 2018 the judge held that there was a real prospect of success in establishing on appeal that Neo Cayman was jointly liable for the acts done by Neo UK during the Neo Cayman period. He also held that there was no real prospect of success in establishing that this liability passed to Neo Canada. Permission to appeal was therefore refused. I understand that Rhodia has since sought permission to appeal from the Court of Appeal.

19. Today, Richard Meade QC appeared with Adam Gamsa for Neo Canada, Tom Mitcheson QC and Miles Copeland appear for Rhodia.
20. Mr Meade argued that Mr Caddick's order of 18 December 2018 should be set aside. His starting point was that the factual basis for joinder as decided by the judge was limited to shipments of cerium oxide seized by the UK Border Force in July 2017; in other words, the Seized Goods.
21. So far as gateway (9) is concerned, Mr. Meade argued that Rhodia had failed to draw the judge's attention to the need to assess whether the damage caused to Rhodia by the Seized Goods was significant. Mr Meade said it was not and therefore permission to serve out of the jurisdiction under gateway (9) should have been refused.
22. My attention was drawn to the judgment of the Court of Appeal in *Metall und Rohstoff v Donaldson Lufkin and Jenrette Inc* [1990] 1 QB 391. There, the Court of Appeal was considering the equivalent at that time to gateway (9), RSC Order 11, rule 1(1)(f). It is quoted by Slade LJ at page 436 and reads as follows:

“if in the action begun by the writ ... (f) the claim is founded on a tort and the damage was sustained, or resulted from an act committed, within the jurisdiction ...”
23. Slade LJ, who gave the judgment of the Court, discussed the amendments to that rule brought about by the Brussels Convention on the Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters. He rejected an argument that it is necessary that all damage should have been sustained within the jurisdiction and added, on page 437 at D: “It is enough if some significant damage has been sustained in England.”
24. This is authority for the proposition that in order to satisfy what is now gateway (9), the damage which has been or will be sustained must be significant.
25. I was shown a witness statement of Karen Brown, who is the Managing Director of the first defendant. She says that the Seized Goods were released to Neo UK by the UK Border Force on 8th December 2017. She also says that they were exported to Germany on 23rd December 2017, except for samples provided to Rhodia for the purposes of this action.
26. The Neo Canada period did not begin until 30th November 2017. Mr Meade argued that Neo Canada can only be liable for damage during the 15-day period from 8th to 23rd December 2017, during which it potentially had control over the Seized Goods. Mr Meade submits that there is no plausible evidential basis on which I could conclude that damage to Rhodia from such storage was significant.
27. With regard to gateway (2), Mr Meade argued that it is implausible that Neo Canada would try to trade in the infringing products in the UK given the findings of the court.
28. In the alternative to setting aside the order of 18 December 2018, Neo Canada seeks to vary the order by limiting Rhodia's claim against Neo Canada to that considered by Mr Caddick, i.e. the case in relation to the Seized Goods.

29. The application to vary the Order is made because Neo Canada is concerned that Rhodia may wish to run a wider case at the inquiry than that contemplated by Mr Caddick. I was taken to the Re-Re-Amended Particulars of Infringement. Paragraph 5 of that pleading states:

“The Second Defendant is jointly liable with the First Defendant in respect of the acts complained of below at paragraph 10(b).”

30. There then follow a number of paragraphs setting out particulars of joint liability. Paragraph 10(b) reads as follows:

“In July 2017 the First Defendant imported two shipments of cerium oxide which the Defendants confirmed was 'already the subject of these proceedings'. Following seizure of the shipments by UK Border Force, those goods were released into the First Defendant's control in December 2017. A portion of those goods were subsequently exported by the First Defendant to Germany and a portion remained in the UK. Accordingly the First Defendant carried out acts complained in relation to those shipments subsequent to the Neo Cayman period.”

31. Thus far, Neo Canada has no difficulty because the allegation of joint liability is stated to be in respect of paragraph 10(b) and that paragraph is limited to acts done by Neo UK in relation to the seized goods. However, the pleading concludes with paragraph 12, which includes this:

“(a) As mentioned above, subsequent to the Neo Cayman period, the Second Defendant carried on the business of Neo Cayman Holdings Ltd as such business was carried on during the Neo Cayman period. Accordingly the Claimants rely on the facts and matters in respect of the Neo Cayman period in order to establish the joint tortfeasance of the Second Defendant for the period after the Neo Cayman period, mutatis mutandis.”

32. Paragraph 12(a) deals with matters which are said to establish Neo Canada's joint liability after the Neo Cayman period as a general proposition. As I read it, the paragraph is not identifying acts done by Neo UK for which Neo Canada is jointly liable. Those are pleaded under paragraphs 5 and 10(b). However, the defendants are concerned that at the inquiry as to damages paragraph 12(a) may be used as a basis for expanding the inquiry against Neo Canada to investigate acts other than those done in relation to the Seized Goods.

33. Mr. Mitcheson argued that it was legitimate to plead this paragraph. It was before the judge in draft form and so the allegations in that paragraph must have been part of the reason for which he gave permission to join Neo Canada.

34. It seems to me to be reasonably clear from his judgment that the judge gave permission to join Neo Canada solely because of its arguable involvement with infringement in respect of the Seized Goods. I cannot say what, if anything, he made of paragraph 12(a). Mr. Mitcheson submitted that the judge's reference in paragraph

44 to “release and subsequent dealings with shipments of a product that was said infringe” was a reference to dealings with infringing goods other than the Seized Goods. That is not how I read that sentence. I think that “shipments” refers back to the shipments discussed in paragraph 43, i.e. the Seized Goods.

35. Mr Mitcheson argued further that Rhodia has good reason to believe that there were acts of infringement by Neo UK other than the importation and keeping of the Seized Goods. There was no evidence to support such a belief. Instead I was referred to correspondence and in particular a letter dated 13th March 2019 from Bird & Bird, the defendants’ solicitors, which included this:

“Regarding your request to identify ‘other acts of infringement by Neo Europe that occurred in the Neo Canada period beyond those identified in the Re-Re-Amended Particulars of Infringement’, this is not relevant to the application to set aside or vary the Order, which is necessarily limited to the facts and allegations upon which your clients chose to rely when applying to join Neo Performance Materials Inc to these proceedings. In any event, it is not incumbent upon Neo Performance Materials Inc to investigate all potential acts of infringement by a subsidiary.”

36. Mr Mitcheson submitted that Bird & Bird apparently felt unable to deny that there were infringing acts done in the Neo Canada period aside from those done in relation to the Seized Goods. He raised two speculative categories of acts of infringement other than those pleaded in relation to the Seized Goods. First, acts done by Neo UK in the form of importation and dealing with samples of infringing products. Secondly, he said there may have been goods which were imported into the UK, although they got no further than a bonded warehouse. Mr Mitcheson submitted that there could well have been damage to Rhodia as a result of such importation and in the case of the first category, research work done on the samples. For instance, they could have led to lost sales in Germany, consequent upon the exportation of Neo UK's infringing products from the UK to Germany.
37. Mr Mitcheson said that the Seized Goods alone were worth £650,000. I take this figure to have come from the evidence from Stephen Bennett of Hogan Lovells who has conduct of these proceedings on behalf of Rhodia. Mr Mitcheson submitted that this figure of itself provided enough plausible damage to satisfy gateway (9) just in respect of acts done in relation to the Seized Goods. There was all the more reason to suppose that once any damages caused by other acts were added, they would come to a significant total.
38. With regard to gateway (9) and for the moment considering only the Seized Goods, I must be satisfied that there is a plausible, albeit contested evidential basis for asserting that the damage consequent upon infringement in relation to the Seized Goods has been or will be significant. The evidence is that Seized Goods were worth around £650,000. Some of them may have reached the German market and if so have caused, or will cause, Rhodia to lose sales. In my view there is a plausible evidential basis for Rhodia’s claim that such damage is consequent upon infringing acts done in the UK and that the damage is significant. In my view gateway (9) is satisfied.

39. As for gateway (2), it seems to me that if Rhodia were to succeed at trial they would be entitled to an injunction against both Neo UK and Neo Canada. Gateway (2) is also satisfied.
40. In my view Mr Caddick came to the right conclusion with regard to the Seized Goods and taking into account the further matters argued before me today I believe that it remains the right conclusion. I would not set aside his judgment.
41. I should add that Mr. Mitcheson said that his clients also wished now to rely on a further gateway, that is gateway (11), which is as follows:
- “The subject matter of the claim relates wholly or principally to property within the jurisdiction, provided that nothing under this paragraph shall render justiciable the title to or the right to possession of immovable property outside England and Wales.”
42. The argument is that the patent in suit is property within the jurisdiction within the meaning of gateway (11). This gateway was considered by Henry Carr J in *Conversant Wireless Licensing S.A.R.L v Huawei Technologies Company Limited* [2018] EWHC 808 (Pat). He said this:
- “108. 6B PD 3.1(11) provides that:
- ‘The claimant may serve a claim form out of the jurisdiction with the permission of the court under rule 6.36 where - (11) The subject matter of the claim relates wholly or principally to property within the jurisdiction.’
109. ... As to interpretation of Gateway 11 the court stated at [33] that:
- ‘on its proper construction the rule cannot be construed as confined to claims relating to the ownership or possession of property. It extends to any claim for relief, whether for damages or otherwise, so long as it is related to property located within the jurisdiction.’
110. I conclude that the subject matter of the claims relates wholly or principally to property within the jurisdiction and that the requirements of Gateway 11 are satisfied.”
43. Mr. Meade said, reasonably, that the argument on gateway (11) had been sprung on him this afternoon and that he was not in a position to argue it today. I leave it to one side since on my conclusions above it adds nothing.

[Further Argument]

Judgment on varying order made by Mr. Caddick

44. I now turn to the defendant's application to vary the order made by Mr. Caddick. I have no real doubt that as Mr Caddick understood Rhodia's case, the only acts for

which Neo Canada is potentially jointly liable are the acts done by Neo UK in relation to the Seized Goods. This is in conformity with paragraph 5 of the Re-Re-Amended Particulars of Infringement.

45. Bird & Bird have since stated that Neo Canada is not obliged to investigate acts done by Neo UK. Rhodia now rely on that to speculate that there may have been other acts of infringement by Neo UK. However, a significant expansion of the inquiry into Neo Canada's liability as joint tortfeasor, to cover investigation into liability associated with other acts possibly done by Neo UK, would go beyond Rhodia's pleaded claim against Neo Canada. The pleading only alleges liability in relation to the Seized Goods. Also, as matters stand, such expansion of the inquiry into Neo Canada's liability has no plausible evidential basis.
46. I will therefore order that the Order of 18th December 2018 should be varied to limit Neo Canada's potential liability as joint tortfeasor to acts done in relation to the Seized Goods.
