



BL O/308/05

23 November 2005

PATENTS ACT 1977

BETWEEN

Secretary of State for Defence

Claimant

and

Farrow System Ltd

Defendant

PROCEEDINGS

Application under section 72 for revocation of GB 2344348 and GB 2372039
Secretary of State for Defence v Farrow System Ltd

HEARING OFFICER

Peter Back

PRELIMINARY DECISION

- 1 Applications for revocation of patents numbers GB 2344348 and GB 2372039 (“the patents”) in the name of Farrow System Ltd (“the Defendant”) were filed by the Secretary of State for Defence (“the Claimant”) on 9 January 2004 accompanied by statements of case. In a letter dated 2 April 2004 the Patent Office gave the Defendant the usual period of six weeks to file a counter-statement. The Defendant sought and was granted three consecutive extensions of one month to this period, their final letter dated 14 July 2004 referring to an approach made to the Claimant to settle the dispute by mediation.
- 2 The Defendant wrote to the Office on 28 July 2004 asking the comptroller to exercise his inherent discretion and order the parties to undertake Alternative Dispute Resolution (ADR) in accordance with a specified timetable and to stay the revocation proceedings until this had been completed. The Claimant argued that ADR was not suitable for revocation proceedings and opposed the request. The parties were content to have this matter dealt with on the papers. I issued a preliminary decision on 11th January 2005 declining to make such an order and allowed one month from the date of that preliminary decision for filing of the Defendant’s counterstatement.

- 3 The Defendant duly filed counterstatements for each of the two patents in issue on 11th February 2005, and, after some correspondence and a six-week extension to which the Defendant consented, amended statements were filed by the Claimant together with their evidence-in-chief on 15th June 2005. The statements added allegations of prior use. In a letter of 19th July to the Patent Office, the Defendant declined to consent to these amendments in view of the lateness of the amendments and the difficulties that they would have in attempting to deal with the new allegations. The parties have maintained their positions in correspondence on the admittance of the new grounds. They have agreed that this matter can be dealt with by the Office on the papers and so it falls to me to decide if I should, by exercise of the Comptroller's discretion, allow the Claimant's statements to be amended as filed on 15th June 2005.
- 4 The principal amendments to the statements of case are the introduction of two alleged incidents of prior use and greater reference to common general knowledge. The two alleged incidents of prior use are discussed in respective witness statements. The first relates to use at a marina at Kalamaki, Greece, in January 1994. Video evidence has been submitted for this use. The second relates to a trial at Rosyth dockyard in 1996. Documentary evidence has been submitted for this trial use.
- 5 The first alleged prior use is set against the novelty of claim 1 of GB2372039 and the inventive step of all claims of this patent. It is further set against the novelty of claim 1 of GB2344348 and the inventive step of this claim in combination with common general knowledge. The second alleged prior use is set against the inventive step of all claims of GB2372039.
- 6 The Defendant objected in letters of 19th July 2005 and 19th August 2005 to the admission of new grounds *inter alia* because of the difficulty they say they will face in investigating the alleged prior use incidents, which allegedly occurred 9 and 11 years ago, one of which was in Greece. The Defendant objects also that a witness statement has not been supplied to explain why the application to amend is made late in proceedings and why the matters raised in the amended pleading could not with reasonable diligence have been discovered earlier. If the amendments are allowed, the Defendant seeks costs of the proceedings down to the date of the late amendment, failing which they seek costs of and occasioned by the amendments. The Defendant seeks an extension of time for filing evidence and an amended counterstatement of at least 6 weeks from the final determination of the admissibility of the amendments. The Defendant requests the comptroller to make an order for each party to give standard disclosure.
- 7 The Claimant submits in his letter of 4th August 2005 that it is perfectly usual for the collation of evidence to bring to light new facts that necessitate amendments to a statement of case, and that this is what has happened during the process of obtaining various witness statements and accompanying exhibits. They state that much of the evidence that gave rise to the amendment of the statement of case-in particular the various witness statements and their exhibits-only came to light in the period between the Comptroller's decision of 11th January 2005 and the 15th June deadline for filing their evidence. They have offered £600 by way of costs of and occasioned by the amendment. They do not object to a limited extension of time

for the Defendant to file evidence. The Claimant has made no argument in respect of an order for disclosure. In his letter of 30 August the Claimant re-emphasises his contention that the additional information came to light during collation of his evidence

- 8 Whether or not to allow amendment to a statement of case is a matter for the comptroller's discretion, taking into account all the factors. In the present case those factors should, in my view, include:
- C the nature and relevance of the amendments;
 - C the diligence of the Claimant in preparing its case and requesting the amendment;
 - C the grounds on which the Defendant objects to the amendments and whether allowing amendments at this stage might be unjust to the Defendant;
 - C the public interest;
 - C the effect of refusing to allow the amendments.

These are the factors which I need to take into account, none which alone will be decisive, rather it is a matter of balance. I will address these factors in turn.

Nature and relevance of the amendments

- 9 As discussed above, the amendments comprise principally the addition of two allegations of prior use to stand alongside the original grounds based on prior publication. No allegations of prior use subsisted before amendment. It seems to me that the new grounds represent a substantial amendment, though a finding of actual relevance or otherwise of the grounds must be reserved for the substantive hearing.
- 10 The first prior use incident relates to the use, by Mr. Bruce Nicholson and others, of a Gagemark 2000 machine with Hydro "Facade" abrasive to remove paint from the GRP hull of a boat at a marina in Kalamaki, Greece, in January 1994. This incident is discussed in Mr. Nicholson's witness statement, which serves for both patents, and evidence has been supplied. The second prior use incident relates to use by Coating Consultants Limited of a wet abrasive blasting machine together with 80 mesh garnet abrasive in a trial of GRP substrate preparation held on HMS Quorn at Rosyth Dockyard between 24 and 26 July 1996. This incident is discussed in Mr. King's witness statement in respect of GB2372039 and evidence has been supplied.
- 11 I consider that the amendments are substantial and have *prima facie* relevance.

Diligence

- 12 The Defendant in his letter of July 19th refers to paragraph 2.42 of the Patents Hearing Manual (the Manual), and in particular quotes the following passages:

“A party should make any significant changes to its case clear at the earliest opportunity. The other side must have a proper chance to deal with every issue (including if necessary filing evidence), and so a party that tries to spring last minute surprises should not be allowed to get away with it.”

“Each party is expected to do its best to put its whole case forward at the outset. A party that deliberately or through incompetence fails to do so can expect later requests to amend its statement to receive less sympathetic treatment.”

The Defendant refers further to paragraph 2.43 of the Manual:

“To assess the diligence of a party, the hearing officer may demand evidence to show that they could not with reasonable diligence have discovered any new facts earlier or to explain the lateness of the amendment”

- 13 The Defendant contends that both incidents of alleged prior use relate to matters which ought to have been raised earlier. In respect of the first incident, the Defendants suggest a connection between the witness (Mr. Nicholson) and Quill Industries plc (Quill). They refer to the letter from Quill’s agent (L J Bray & Co.) to the Patent Office in August 2004 opposing the Defendant’s request for an order referring the revocation dispute to ADR. The Defendant states that, if there be such a connection, then *“it will have to be clearly explained why the Applicant has delayed so long before amending its Statement of Grounds to include grounds that were, and have at all material times been, in the knowledge of a party who has been intimately involved in the proceedings from an early stage”*.
- 14 Mr. Nicholson in his witness statement at paragraph 38 admits that his firm, Gagemarch, are the patentees of EP0358648 B1, which is central in the statement of case against GB2344348. The bibliographic data on the front of this patent shows that it was prosecuted before the EPO by Quill’s agent (L J Bray & Co) and that Mr. Nicholson is a co-inventor of it. Quill are named in the statements as a party against whom the patents were sought to be enforced, but they are not a party to these revocation proceedings, though they appear to have an interest in the outcome. On the papers available to me, however, Quill and Mr. Nicholson are linked only by possessing a common patent agent.
- 15 The Defendants continue their argument in their letter of 19th July: *“even if there is not a connection, it is incumbent on the Applicant to explain when it first became aware of the alleged prior use and why it is made at the last minute. Delay is a key consideration relevant to whether or not the Applicant should be given permission to re-amend its pleading”*.
- 16 The Claimants letter of 15th June accompanying their evidence makes a brief explanation:

“In collecting the evidence the Applicant for Revocation has acquired prior use evidence that has necessitated a change to the pleadings. Their letter of 4th August

2005 at paragraph 3 refers to paragraph 2.40 of the Manual, which contains the passage:

“Often, the counter-statement and/or the evidence highlight further issues that the Claimant may want to address or points that one side no longer wishes to pursue. When this happens, a party may seek the comptroller’s discretion to amend its statement”.

- 17 The Claimants refer to this passage for support that “it is perfectly usual for the collation of evidence to bring to light new facts that necessitate amendments to a party’s statement of case. This is precisely what happened to the applicant-in particular, during the process of obtaining various witness statements and accompanying exhibits”.
- 18 At paragraph 6 of their letter of 4th August 2005 they state that “Much of the evidence that gave rise to the amendment of the statement of case- in particular the various witness statements and their exhibits- only came to light in the period between the Comptroller’s decision of 11 Jan and the 15 June deadline for filing our evidence. However, upon collating and examining the evidence we promptly filed an amended statement of case to accompany the evidence necessitating the amendment, thereby providing the patentee ample opportunity to address any new issues”.
- 19 Hence the applicants argue that their uncovering of new grounds lies squarely within those circumstances where the Comptroller should exercise discretion favourably. The Defendants, in their letter of 19th August, address diligence: “The mere fact that it is alleged that the evidence came to light during collation of its witness statements does not of course answer... whether the evidence could have been discovered earlier. Given that the amendments relate to its own alleged prior use and the alleged prior use of a closely-connected party, this is a critical matter which must be answered in detail”.
- 20 The Defendants in their letter of 19 August call for the Claimant to file evidence to support their case for admission of new grounds, and in particular “why the application to amend is so late” and “why... the matters raised could not with reasonable diligence have been discovered earlier; or, if they could have been raised earlier, why a late application should nonetheless be permitted”. The Defendant contends that a pre-condition for the exercise of any discretion to allow a late amendment is a full explanation in a witness statement, but as pointed out in paragraph 2.43, this is not a pre-requisite, it merely recognises that the hearing officer *may* demand evidence.
- 21 The Claimant states in his letter of 30 August that “...procedural technicalities as to whether further factual information amounts to a fact in issue of evidence should not in the Applicant’s opinion prejudice the ultimate inclusion of highly germane documentary evidence as to whether the patent in suit is valid or not”. I have already decided that the new grounds have relevance and now must assess diligence. Assessment of diligence is not a technicality but is rather an essential safeguard against the type of ambush contemplated and deprecated in paragraph 2.42 of the Manual.

22 I have not requested evidence from the Claimants in support of their diligence in this matter, and none has been submitted of their own motion. I have some sympathy with the Defendant's position that one of the alleged incidents of prior use is by the applicants themselves, but the MOD is a very large organisation with several dockyards. The evidence adduced in relation to the statement of Mr. King sheds light on a large and distributed control structure which is likely to yield up the most useful evidence only after careful investigation. It is not clear why the applicant for revocation obtained the witness statements leading to the new grounds only in the first half of this year, but it would seem from their letter of August 4th that they held back on the long and expensive process of evidence collation while the issue of ADR was resolved, which appears reasonable. Further, as the letter of 29 April 2005 requesting an extension explains, the death of one expert earlier this year forced the Claimants to "go elsewhere for the evidence that he would have provided". In view of these factors I find no lack of diligence on the part of the Claimant.

Delay

23 I turn to the matter of when the new grounds were brought to the attention of the Office and the Defendant. The Claimant's position is that upon collating and examining the evidence they "*promptly filed an amended statement of case to accompany the evidence necessitating the amendment, thereby providing the patentee ample opportunity to address any new issues*". I cannot find anything in the papers before me to suggest that this is not the case and given that I have found no lack of diligence in identifying the evidence of prior use, I am satisfied that there has been no undue delay in submitting these new grounds.

Defendants' objections and prejudice to the Defendant

24 The grounds on which the Defendant objects to these late amendments are given on page 2 of their letter of July 19th as "the lateness of the amendments" and "the difficulties that Farrow will have in trying to deal with these new factual allegations". In their letter of August 19th they add "prejudice will arise where new matters turn on oral as opposed to documentary evidence and on the recollection of witnesses which may fade or alter over time". Lateness has been dealt with above and I turn to the prejudice objections.

25 The Defendants contend that allegations of prior use are always "notoriously difficult to investigate because the patentee is compelled to try and determine what actually happened at a time many years before trial; even more so where the allegations relate to matters outside the jurisdiction". This is clearly directed to the alleged prior use at a marina in Kalamaki, Greece, in 1994. The Defendants at page 2 of their letter of 19th August state that

"Given the fact that the recollection of witnesses may change over time, it is imperative that allegations of prior use are fully particularised and are raised at the earliest opportunity so that the opposing party has the greatest chance of contacting witnesses who were around at the time and is best able to investigate the allegations levelled by an applicant for revocation. In the present case, the allegations of prior use relate to alleged happenings 9 and 11 years ago, and one of the allegations relates to matters outside the jurisdiction".

- 26 On the face of it, the need to locate suitable witnesses in defence is a difficulty for the Defendant. The Defendants contemplate in their letter of July 19th the serving of a Request for Further Information in relation to the alleged prior use in Greece and the subsequent despatch of “investigators to Greece to test the truth of what is alleged”. I have some sympathy with the Defendant in this aspect, but it is open to the Defendant to cross-examine Mr. Nicholson at the hearing.
- 27 The Defendant has been aware that they may have to face allegations of prior use for some months now and has had at least some time to plan how to deal with them, should they be allowed. I consider it unfortunate rather than unjust that they are confronted with these new grounds.

Public interest

- 28 The Claimant refers to the public interest in his letter of 4th August: “...these are public monopolies. If the patentee is not unduly prejudiced the amendments should be allowed so that relevant facts and matters can be before the Hearing Officer when coming to his decision”. I think this sums up matters accurately. There is detriment to the Defendant but it is not undue, and a refusal to allow these amendments would leave a shadow over the patents. Also, the public interest must weigh substantially against the other factors in deciding whether to allow admission of *prima facie* relevant grounds challenging validity.

Effect of refusing to allow amendment

- 29 There are several consequences of refusing these amendments. The hearing would be less conclusive as to validity and a potentially invalid patent would remain on the register. Further, the Claimant or another party could simply pursue these grounds in a new action. Each consequence discussed in this paragraph is such as to encourage admission of the amendments.

Summary

- 30 As I have already stated, none of the factors which I have considered are decisive in themselves, it is a matter of balance. I have found that the proposed amendments have *prima facie* relevance to the revocation proceedings. I have found that there was no lack of diligence on behalf of the Claimant in formulating these amendments and no undue delay in communicating them to the Defendant and to the Patent Office. I am satisfied that the public interest will not be served by refusing these amendments. There will inevitably be some detriment to the Defendant in that it will be forced to respond to the amended grounds. Nevertheless, weighing up all the above, I am satisfied that the balance goes to allowing the amendments. Accordingly I have decided that the Claimant’s amended statement is admissible.

Other matters

- 31 The Defendant complains that the amended statements of June 2005 should be labelled as “re-amended” in view of a first set of amendments made in February 2004 to the original statements of January 2004. The latest statements have tailnotes “dated as amended 20 February 2004” and “Re-amended 14 June 2005”, and are titled “AMENDED STATEMENT OF CASE FOR REVOCATION”. The amended statements of 20 February 2004 have tailnotes “Dated as amended 20 February 2004” and are titled simply “STATEMENT OF CASE FOR REVOCATION”. Hence there are inconsistencies between the title and the tailnotes in each version of the statements, but complaint has been made only for the statement of June 2005. I view these errors as minor. The Defendant objects that the changes introduced by the first amendment cannot be discerned, but a “tracked copy” was supplied with the amended statement of 20 February 2004 which allows appraisal of what was amended at that time.
- 32 The Defendant in his letter of 19th July describes the disclosure of Mr. King as selective. The Defendants complain that the Claimant “cannot cherry-pick documents that it seeks to rely on that support its case without giving full disclosure”. The Claimant has not addressed disclosure in any subsequent communication with the Office.
- 33 The Defendant in his letter of 19th August requests an Order from the Comptroller for each party to give standard disclosure in conjunction with a direction as to the “categories of documents which he envisages will be disclosed to obviate the need for further applications for specific disclosure which might further delay proceedings”. The Defendant states that full disclosure would have to be given in High Court proceedings. However, although the Court and the Comptroller enjoy equivalence in deciding applications for revocation, custom and practice are different in respect of disclosure. The Comptroller from time to time may order disclosure for specific categories of documents where there is a clear case to do so and it will advance the case without unnecessary work and expense, but it is for the parties to indicate what categories of document should be disclosed and give a compelling reason in each case.

I decline to give an Order for disclosure in this decision.

Costs

- 34 The Defendant requests costs of the proceedings down to the date of the amendments of June 2005, failing which they ask for the costs of and occasioned by the amendments. The Claimant accepts at paragraph 7 of his letter of 4th August that “it is usual for an amending party before the court to pay the costs of and occasioned by the amendment” They deny a basis for “off the scale” costs but offer £600 to cover the costs of and occasioned by the amendment, which is twice the standard scale cost of preparing a counterstatement and recognises the further work involved as a result of the amendment. In the Manual at 5.47, “off the scale” awards are contemplated for proportional treatment of costs incurred in amending statements or filing further evidence in consequence of amended pleadings, but only if “the amendment had clearly been avoidable”. I have decided that the amendments were not clearly avoidable and can see no reason to depart from the Claimant’s offer and order that the Claimant pay the Defendant costs of £600 for the extra work involved in dealing with the amended statements.

Appeal

- 35 Under the Practice Direction to Part 52 of the Civil Procedure Rules any appeal must be lodged within 28 days.

PETER BACK

Divisional Director acting for the Comptroller