



BL O/345/06

14 December
2006

PATENTS ACT 1977

BETWEEN

Ian Popeck

Claimant

and

Runaway Technology, Inc

Defendant

PROCEEDINGS

Application under section 72 of the Patents Act 1977 for the
revocation of patent number EP(UK) 0852363

HEARING OFFICER

R C Kennell

PRELIMINARY DECISION

Introduction

- 1 Ian Popeck of Landmark Mosaics Ltd (hereinafter "Landmark") filed an application for revocation of patent no EP(UK) 0852363 on 17 July 2006. The defendant and proprietor of the patent, Runaway Technology, Inc, filed a counter-statement on 26 September 2006 in which they asked the claimant to provide security for costs under section 107(4) of the Patents Act 1977. The parties have agreed that I should decide this matter on the basis of the papers on file. Since then the defendant has asked for an order for "wasted costs" in respect of an amendment proposed by the claimant, but I am deferring further consideration of that matter until the issue of security is settled.
- 2 It is not altogether clear who exactly is intended to be the claimant in these proceedings. Mr Popeck, who is not professionally represented, has completed the application form 2/77 in his own name giving Landmark's address in Leamington Spa, Warwickshire as both his own address and the address for service. However, the statement says that the application is being made by Landmark, and Mr Popeck has signed all correspondence as "Director" of Landmark. The statement has been furnished with a signed statement of truth, but (as the defendant observes) does not state who is signing or in what capacity.

The case for security

- 3 The defendant, proceeding on the basis that Landmark is the claimant, is concerned that Landmark may not be able to pay any order for costs. It alleges that Landmark is a UK limited company that has been incorporated only since October 2005 and to date has filed no accounts with Companies House. The defendant also says it has been unable to identify evidence of trading by the claimant and that Companies House does not indicate any assets owned by the claimant.
- 4 For proceedings commenced on or after 1 October 2005, section 107(4) is amended by section 15 of the Patents Act 2004 to read:

“The comptroller may make an order for security for costs or expenses against any party to proceedings before him under this Act [*ie the 1977 Act*] if:

- (a) the prescribed conditions are met, and
- (b) he is satisfied that it is just to make the order having regard to all the circumstances of the case;

and in default of the required security being given the comptroller may treat the reference, application or notice in question as abandoned.”,

and rule 89A(1) of the Patents Rules 1995 (as amended) prescribes that the party against whom the order is made must fulfil one or more of a number of criteria (similar to those applicable to proceedings before the courts under the Civil Procedure Rules), including at (b) that the party:

“is a company or other body (whether incorporated inside or outside the United Kingdom) and there is reason to believe that it will be unable to pay another party’s costs if ordered to do so”.

- 5 The defendant’s case therefore prima facie complies with subsection (a) of section 107(4) but I need to consider whether there is in fact reason to believe that the claimant will indeed be unable to pay any costs ordered against it, and if so, then under subsection (b) whether it would be just to make an order in all the circumstances of the case.

Further arguments and analysis

Whether the claimant is able to pay costs

- 6 The defendant’s case is not supported by evidence, but Mr Popeck’s letter in reply dated 17 October 2006 does not dispute any of the above allegations that the defendant makes. Indeed Mr Popeck seeks that no order for security should be made because to do so could “force us to have to withdraw our case for no other reason than we have less currently available funds than the defendants”. Mr Popeck considers that this would not be either in the interests of justice or the public interest since it might force the claimant to withdraw without being able to present evidence in support of revocation, and that the defendant’s request may have more to do with forcing such withdrawal than with ensuring that any future costs award could be met.

- 7 However, if security is to be awarded, Mr Popeck thinks it should be the absolute minimum necessary so as to minimise any personal financial hardship of “the directors” (presumably of Landmark) and that it should take the form of a personal guarantee from “a company director” (presumably of another company) since this would protect against the possibility of Landmark not being able to pay costs and being declared bankrupt without penalizing “the company and its directors” for something that may never happen.
- 8 The defendant in its letter dated 18 October 2006 believes that Mr Popeck’s comments appear to support its case. I agree. It is difficult to my mind to not to conclude from Mr Popeck’s letter that there is, as rule 89A(1)(b) requires, reason to believe that both he and/or Landmark are unlikely to be able to meet any costs that might be awarded against them in the present proceedings. I therefore believe that the condition prescribed by rule 89A(1)(b) is met.

Whether it is just for security to be ordered

- 9 However, I then need to consider whether it is just in all the circumstances of the case to make an order for security. Whilst I can appreciate the reluctance of the claimant not to have to pay security “up front”, I do not think that I can necessarily assume on the material before me that the defendant is motivated solely by a desire to force the claimant into premature withdrawal. The defendant after all has a legitimate interest in ensuring that any costs awarded to it can be met.
- 10 I therefore need to strike a balance between the interests of the parties. As explained at paragraph 2.87 of the Office’s “Patent Hearings Manual”¹, in doing so I should avoid impairing the claimant’s right of access to the comptroller to a degree which is disproportionate to the need to protect the defendant and should normally avoid imposing conditions which it is impossible for the claimant to fulfil. In particular I think that I should take care to avoid injustice to a claimant who might be prevented from pursuing a meritorious case by a requirement to provide security.
- 11 Indeed, as I have mentioned, Mr Popeck believes that in the public interest the claimant should be allowed to present its evidence in support of revocation without being forced into a premature withdrawal of its case by having to provide security at this stage. There is a public interest in ensuring that as far as possible invalid patents are removed from the register, and, as Mr Popeck acknowledges, the comptroller will therefore continue revocation proceedings *ex parte* if the claimant withdraws from the *inter partes* proceedings or if they are abandoned in default of security for costs (see paragraphs 72.26 – 72.27 of the Office’s “Manual of Patent Practice”²).
- 12 However, as the Manual explains, the comptroller will normally only pursue a case where there is a clear *prima facie* case of lack of novelty or inventive step

1 <http://www.patent.gov.uk/patent/p-decisionmaking/p-law/p-law-manual/p-law-manual-hearing.htm>

2 <http://www.patent.gov.uk/practice-sec-072.pdf>

on the basis of the documents already on file. If the claimant were to withdraw at this stage of the proceedings a meaningful consideration by the comptroller might be difficult on the basis of the statements of case alone, since evidence may be necessary at least to establish what is the publication date, if any, of four of the six pieces of prior art relied on.

The possibility of a written opinion

- 13 In this situation the issue of an opinion by the comptroller under section 74A of the Patents Act 1977 may be of value in assisting the parties and the comptroller, at a relatively low cost, to assess the strength of the claimant's case as a preliminary matter. As explained above, that may be a factor in deciding whether security for costs should be ordered. Under this procedure³, which was brought into force by section 13 of the Patents Act 2004 from 1 October 2005, anyone (including either party in the present proceedings) may ask the comptroller, for a fee of £200 and normally within 3 months, to give a written opinion on issues of novelty and obviousness. An opinion is given on the basis of whatever material the requester wants to submit, including evidence if desired. It is non-binding and will not lead to revocation of a patent, but it is open to public inspection. In the present case any opinion would therefore be available to inform either the substantive decision if the *inter partes* procedures continue, or the *ex parte* decision by the comptroller if the claimant withdraws.

Conclusions

- 14 I will therefore stay the present proceedings for 6 weeks, including any decision on whether to award security for costs, in order to give each party an opportunity to consider whether to request an opinion. I will then give further directions as to whether the proceedings should resume and, if they do, whether security for costs should be ordered. If an opinion is requested it would normally be appropriate to stay the revocation proceedings to allow the opinion to be given.
- 15 If the proceedings do continue, it should be clarified whether the application for revocation is to proceed in the name of Mr Popeck or of Landmark.

Costs

- 16 Although both parties in their statements of case ask for costs, neither of them has asked for costs in relation to this preliminary issue of security. I do not in any case think that either party will have incurred any significant expenses in making their submissions by correspondence. I do not therefore propose to make any award of costs at this stage.

³ <http://www.patent.gov.uk/patent/p-other/p-object/p-object-opinion.htm>

Appeal

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

R C KENNEL

Deputy Director acting for the Comptroller