



PATENTS ACT 1977

BETWEEN

Airscience Technology International Ltd

Claimant

and

Wallenius Water AB

Defendant

PROCEEDINGS

Application for revocation under section 72(1)(a)
In respect of European patent (UK) number 0 800 407

HEARING OFFICER

A C Howard

The patent attorneys Scott & York Intellectual Property Ltd represented the
Claimant

The patent attorneys Carpmaels and Ransford represented the Defendant

PRELIMINARY DECISION

Introduction

- 1 The substantive proceedings relate to an application by Airscience Technology International Ltd ("Airscience") for revocation of European patent (UK) number EP0800407 ("the patent") in the name of Wallenius Water AB ("Wallenius").
- 2 A statement was served on Wallenius on 23 October 2012, the latest date for filing a counterstatement being set for 4 December 2012. On 3 December 2012 Wallenius filed a letter submitting that the proceedings should not be allowed to continue on the grounds that invalidity has already been put at issue in two previous proceedings in which the claimant was involved, and judgments have already issued in those proceedings that are binding on the claimant. A stay of the present proceedings was requested until this matter is resolved. Wallenius also requested an order granting security for costs. To date no counterstatement has been filed.

- 3 On 21 January 2013 a letter was received on behalf of Airscience denying that the question of validity has previously been put at issue before any court and resisting the request for a stay on grounds that the question of estoppel could be dealt with at the same time as the main proceedings. The request for security of costs was also resisted, with the proviso that should I be minded to grant it, I was requested to grant a similar order for security for costs against Wallenius.
- 4 An official letter dated 13 February stated that as there was no agreement between the parties on the questions of whether the estoppel issue should be dealt with first, security for costs and the request for a stay, these questions would need to be dealt with as preliminary matters. The parties were invited to make further submissions and/or request an oral hearing.
- 5 There was further correspondence the upshot of which is that the parties are content for a decision strictly on these preliminary questions to be made on the papers. That is accordingly what I shall proceed to do.

The law

- 6 The procedural rules governing these proceedings are set out in Part 7 of the Patents Rules 2007 (as amended) (“the Rules”).
- 7 Rule 74 refers to the overriding objective of dealing with cases justly. Paragraph (2) of rule 74 states:

Dealing with a case justly includes, so far as is practicable—

(a) ensuring that the parties are on an equal footing;

(b) saving expense;

(c) dealing with the case in ways which are proportionate—

(i) to the amount of money involved,

(ii) to the importance of the case,

(iii) to the complexity of the issues, and

(iv) to the financial position of each party;

(d) ensuring that it is dealt with expeditiously and fairly; and

(e) allotting to it an appropriate share of the resources available to the comptroller, while taking into account the need to allot resources to other cases.

- 8 Security for costs are dealt with in section 107 of the Act and Rule 85, the relevant provisions of which read as follows:

Section 107(4)

The comptroller may make an order for security for costs or expenses against any party to proceedings before him under this 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.

Rule 85(1)

The conditions prescribed for the purposes of making an order for security for costs under section 107(4) are that the party against whom the order is made—

(a) is resident outside the United Kingdom, but not resident in—

- (i) a Brussels Contracting State,
- (ii) a Lugano Contracting State, or
- (iii) a Regulation State,

as defined in section 1(3) of the Civil Jurisdiction and Judgments Act 1982;

(b) 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;

(c) has changed his address for service with a view to evading the consequences of the litigation;

(d) has furnished an incorrect address for service; or

(e) has taken steps in relation to his assets that would make it difficult to enforce an order for costs against him.

- 9 Before going further I would like to make clear that this decision is strictly about the two issues of whether the question of estoppel should be dealt with first and the request for security for costs (and any procedural consequences). Accordingly I do not intend to delve deeply into the merits of the estoppel question, although it will be seen from the discussion below that I do consider it appropriate to take a view on the prospects for success of the arguments advanced by Wallenius, as this influences the likelihood that taking it first will save time and expense.

Discussion

- 10 If Wallenius is successful in its estoppel argument, that will signal an end to the proceedings. In my view the amount of preparation the parties will need to do on the estoppel question will be about the same, irrespective of whether or not it is heard first, but if it is heard with the main proceedings, both parties will in addition have to prepare their cases fully on the substantive arguments. All that work will be wasted if the estoppel argument succeeds. This weighs considerably on the side of hearing it first.
- 11 The main point raised by Airscience is that of time: Airscience argues that protraction of the proceedings is causing it damage, especially in view of the fact that the patent will expire in three years. This is potentially a significant factor – the need to arrange a preliminary hearing and then issue a decision could result in a delay of several months. However, proceedings have so far only reached an early stage, and there can be no doubt that if the estoppel point is heard first and succeeds, the case will be disposed of more quickly.

- 12 An important factor is therefore the prospect of success of the estoppel argument. If it is clearly weak or hopeless, this would strongly weigh in favour of progressing to the main proceedings without delay.
- 13 Wallenius has pointed to two earlier proceedings in the Patents Court in which it says validity was in issue. These are identified in the letter from Wallenius's patent attorneys dated 3 December 2012. Copies of documents annexed to that letter appear to show that the arguments put forward in the present proceedings, including the prior art cited, are the same as were advanced in relation to validity in one of the earlier actions, and at least similar to those advanced in the other.
- 14 Airscience's response is to assert that the question of validity of the patent has never been put at issue before the court. However no attempt has been made to explain or amplify this position being taken.
- 15 In the face of the material before me, I do not find this particularly helpful. While I assume that Airscience is preparing lines of argument which will seek to show why they should not be estopped from bringing this action, I have been given nothing to go on which could lead me to any conclusion other than that Wallenius has put forward an arguable case on estoppel, and there must be at least a reasonable prospect that it will succeed.
- 16 I therefore conclude that on balance it would be in the interests of saving costs and fairness between the parties for the question of estoppel to be dealt with first.

The request for security for costs

- 17 Wallenius has asked me to grant an order for security for costs against Airscience. The justification advanced for this is an alleged history of non – payment, with regard in particular to one of the earlier cases referred to above in connection with the matter of estoppel. This case involved Wallenius and a company called AirSteril (UK) limited of which Mr Brian Dewsbery (who is a director of Airscience) was managing director and majority shareholder. Wallenius say that in those proceedings an interim costs order of £10,000 was made against AirSteril (UK) limited, but no payment was made and the company went into voluntary liquidation.
- 18 I have not been referred to any authorities to assist on this matter, but it is clear that granting security for costs is a significant step and one not to be taken lightly because of the risk of denying a party access to justice. In the present case, what is established at most is a single instance where costs were not paid. While I appreciate the concerns expressed by Wallenius, this on its own does not amount to a pattern, and does not in my view support coming to a conclusion that (in the words of Rule 85(1)(b)) there is “reason to believe that [Airscience] will be unable to pay [Wallenius's] costs if ordered to do”. I therefore do not believe that there is sufficient justification for granting the request of Wallenius.
- 19 Having concluded thus, the question of a cross-undertaking on security for costs against Wallenius does not arise.

Conclusions and next steps

- 20 Wallenius's request that the estoppel point should be decided first is granted. The main proceedings are stayed until this matter is resolved as a preliminary question.
- 21 Wallenius's request for security for costs is refused.
- 22 I allow both parties two weeks from the date of this decision to indicate whether they wish to have an oral hearing on the estoppel question or whether they are content for a decision to be made on the papers. It is not necessary at this stage to submit further arguments; if both parties indicate that they can accept a decision on the papers, they will be given an opportunity to make further submissions in writing.
- 23 An oral hearing will be arranged if either party requests it. In that event further directions will be given.

Costs

- 24 I make no order for costs at this stage.

Appeal

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

A C Howard

Divisional Director acting for the Comptroller