

PATENTS ACT 1977

IN THE MATTER OF

a reference under section 37

by Bryan Morgan

in respect of patent number EP(UK) 0485551

in the name of Celcat International Limited

DECISION ON COSTS

1. This decision deals with the applicant's application for an award of costs following withdrawal of the opponents to the reference under section 37 by withdrawing their counterstatements in a letter dated 2 November 1998. Before I come to the main points of my decision I believe it would be appropriate to set out a brief history of the proceedings, some of which is particularly relevant to the point in issue.

2. EP(UK) 0485551 was granted on 4 January 1995 naming Miltiathis Markou as both inventor and proprietor. Subsequently, on 19 June 1996, the patent was assigned to Celcat International Limited by virtue of a deed of assignment dated 4 August 1995. On 3 October 1996, Mr Bryan Morgan filed a Form 2/77 referring to the comptroller under section 37 the question of whether he is the true proprietor of the patent. A statement of case was filed at the same time and was followed, on 31 December 1996, by a counterstatement filed in the name of Mr Markou.

3. The evidence rounds proceeded reasonably smoothly with just an extension of nearly two months for the applicant to file his evidence in reply. The dates of 5 and 6 March 1998 were agreed for the substantive hearing.

4. On 22 December 1997, the applicant requested copies of certain documents referred to in the opponent's evidence. These documents were not immediately forthcoming and during

February 1998 there was considerable correspondence between the parties concerning the documents now sought by both and the need to cross-examine witnesses at the hearing. Of particular concern was the fact that Mr Markou was apparently not available for the dates set down for the hearing and part of the correspondence focussed on the applicant's view that Mr Markou's evidence should be excluded or that there should be an adjournment of the hearing. In the event of an adjournment the applicant made it clear that he would be applying for costs on an indemnity basis on the High Court scale.

5. As a result of the outstanding interlocutory issues the substantive hearing was adjourned and a preliminary hearing arranged for 5 March 1998 specifically to deal with discovery, cross-examination and a timetable for the continuance of the proceedings.

6. In an oral decision the Hearing Officer ordered discovery of documents by exchange of lists on or before 1 May 1998, inspection of the listed documents within 14 days and a hearing date to be fixed before the end of June 1998, the date to bear in mind the attendance of witnesses. Subsequently, with the agreement of the Office, the hearing was arranged to start on 1 July 1998.

7. However, during June 1998 there arose a disagreement between the parties about whether the applicants had made their discovery documents available in a timely manner and whether, in any case, they had made all the necessary documents available. Then on 22 June the opponents requested adjournment of the hearing due to the unavailability of their Counsel. While discussion about the effect of these two situations was still going on Mr Markou fell ill and because of the importance of his evidence to the case the opponents considered this to be a further reason for an adjournment.

8. Eventually a hearing took place on 22 July 1998. Unfortunately this was not the substantive hearing but another preliminary hearing arranged as such to take account of Mr Markou's continuing illness and, of necessity, to agree a timetable which would lead to a substantive hearing in the shortest practical time. The Hearing Officer, again in an oral decision, set the dates of 23 to 25 September 1998 with a review at the beginning of

September to take into account the state of Mr Markou's health.

9. At the end of that hearing there was also some discussion, initiated by Counsel for the applicant, about the matter of costs especially whether costs should be awarded on an indemnity basis on the High Court scale. Reference was made to a letter dated 1 July 1998 from the Agents for the opponents which, quoting Rizla's Application [1993] RPC 372 and Du Pont's (Rebouillat's) Application SRIS O/102/96, made the point that costs outside the normal scale should only be awarded in very exceptional circumstances. It is of course the case that the opponents do not feel that here we have exceptional circumstances whereas the applicants think completely differently about the matter. In the event the Hearing Officer was inclined to leave the matter of costs to the end of the substantive hearing.

10. On 9 September 1998 it became clear, based on medical certificates, that Mr Markou was not going to be fit enough to attend the hearing on 23 September and subsequently new hearing dates of 6 and 9 November 1998 were agreed with a video link to Greece being provisionally arranged for the second day in the event that Mr Markou was not fit enough to attend in person.

11. Then, on 2 November 1998 and completely out of the blue, the Agents for the opponents filed a letter saying that their clients were withdrawing their counterstatements. Although no reasons for withdrawal were given, in later correspondence it was made clear that the reasons were (a) the patent was invalid for anticipation and (b) the costs of the proceedings had grown out of all proportion to the commercial value of the patent. On the same day the office sent a letter to both sides saying that a formal decision finding for the applicant would be issued in due course. The decision would address the matter of costs and the parties were given seven days in which to make observations.

12. During November 1998 there was considerable correspondence concerning costs from the parties so much so that the Office felt it necessary to invite them to a hearing to settle the matter if they wanted to continue the arguments beyond 11 December 1998. As it happened the final letter on costs was received in the Office on 9 December and this decision has

therefore been conducted on the papers.

13. The parties position on costs is exactly the same as that expressed at the preliminary hearing of 22 July that is the applicants believe they are entitled to indemnity costs on the High Court scale whereas the opponents see nothing in the case that would justify departure from the Comptroller's normal practice of making an award as a contribution only and based on the scale announced periodically in The Patents and Designs Journal [formerly the Official Journal (Patents)]; the most recent notice appearing on 1 June 1994.

14. I am certain that in order to justify a level of costs higher than normally awarded by the Comptroller the parties are agreed that the applicant must show, based on at least the precedents referred to above, that the behaviour of the opponents was exceptional. It is the case that nearly all the correspondence filed after the withdrawal of the opponents is taken up with an analysis of the opponents behaviour although the behaviour of the applicant, particularly in relation to the discovery process, is not ignored.

15. In essence, as set out in the applicant's letter of 9 December 1998, (wrongly dated as 14 November 1998), the applicant has two grounds of complaint. The first is that having maintained a case fully throughout the proceedings the opponent withdrew only four days before the Hearing without good reason by which time substantial costs had already been incurred and therefore wasted. Secondly, the opponent continued to maintain a case throughout which was against the evidence and which could not be substantiated in that Mr Markou's account is contradicted by his own actions as appears from the discovery documents. Examples are quoted to support this second allegation.

16. Although the applicant's letter of 9 December 1998, at least as far as the first complaint is concerned, concentrates mainly on the behaviour of the opponent immediately prior to withdrawing from the proceedings, I think it right to say that the applicant's complaint extends to the opponent's behaviour throughout the proceedings when taken as a whole. For example, in a letter from the applicant's solicitors dated 9 February 1998 there is a complaint about Mr Markou's apparent inability on the account of other commitments to be able to attend the

Hearing first arranged for 5 March 1998 when he had known about that date for some time. Moreover, in the same letter, there is the complaint that on the matter of discovery the opponents had not yet provided documents requested at the end of December 1997 and the breadth of discovery requested by the opponents was neither necessary or relevant. On top of these particular complaints it has been clear throughout the proceedings that the applicant has put the blame on the opponents for the delay in bringing the issues to a substantive hearing and the need to have two preliminary hearings to decide, in effect, a timetable so that progress could be made. I shall therefore, in respect of the first complaint take into account all the behaviour of the parties to see if there are any exceptional circumstances which would justify me departing from the normal scale used by the Patent Office in settling costs.

17. As to the general behaviour of the parties there is no doubt in my mind that both have had some share in causing delays throughout the proceedings. Having said that I am firmly of the opinion that the major delays have been caused by the opponents, although some have been of an unfortunate nature.

18. Taking the period up to the first preliminary hearing on 5 March 1998 I have already made the observation that the applicant requested an extension of nearly two months to the period for filing their evidence in reply. Thereafter delays were caused significantly by the parties not being able to sort out the discovery matters to each others satisfaction and there being some doubt about the necessity of certain witnesses being available for cross-examination. I have reviewed the correspondence between the parties and the Office over this period and whilst it seems to me that the opponents might have been quicker in making available the documents requested by the applicant and also more particular in respect of their request for discovery I do not find anything which, in the context of the proceedings up to then, could be considered exceptional and therefore deserving of a higher award of costs. Indeed, the issues considered at the hearing on 5 March were not, in my experience, uncommon in applications of this kind.

19. Following the first preliminary hearing the Office, in a letter dated 2 June 1998, wrote to the parties asking to be informed of the progress being made towards the hearing set down for

1 July 1998. There then followed the events which I have already referred to above concerning the completeness of the discovery exercise, the availability of Counsel and Mr Markou's illness.

20. Again I have looked through the correspondence concerning these issues as well as taking into account what took place at the second preliminary hearing which took place on 22 July 1998. From early to middle June up to the date of the hearing it does seem to me that the opponents again caused the major delay. Initially, it would appear that they were slower than they might have been in inspecting the applicant's discovery documents although there then followed what looked like a not untypical disagreement about the completeness of the discovery exercise. Following this they requested adjournment of the hearing originally arranged for 1 July with only a week to go and finally when it became apparent that Mr Markou had been taken ill they created confusion as to the nature of the complaint from which he was suffering.

21. If it was not entirely clear at the preliminary hearing of 22 July 1998 as to the extent of Mr Markou's condition I believe it became apparent from the subsequent correspondence and medical evidence that he was suffering from a serious heart problem. This meant that, at least for the time being, he could not travel from Greece to attend a substantive hearing. It is, in my opinion, beyond doubt that Mr Markou's attendance at the hearing for the purpose of cross-examination was absolutely essential and that is why several attempts were made after 22 July to settle on an agreeable date. Finally the dates of 6 and 9 November were agreed and in a letter of 30 October 1998 the opponents made available the information that a video link had been arranged provisionally in the event that Mr Markou was still not fit enough to travel to the United Kingdom. Then on 2 November the opponents withdrew from the proceedings.

22. Reviewing then the period from 5 March 1998 to 2 November 1998 it is apparent that most of the delay caused by the opponents must be attributed to the problems with Mr Markou's health. Although, may be, his representatives could have made an understanding of this situation a little more transparent I do take into account that they were very much at a distance with what was going on. Over all I have come to the conclusion that much of what

happened during this period was regrettable rather than deliberately causing delay. Where there is any doubt about the opponents behaviour as regards the progress of the case I do not think it was so exceptional as to justify an award of costs departing from the normal scale used by the Office.

23. I should just add at this stage that as well as complaining about the delay caused by the opponents the applicant was unhappy, to say the least, about the reasons given by the opponents for withdrawing from the action. As his Agents said in their letter received in the Office on 9 December 1998 these reasons can only be viewed as they appear in the correspondence and cannot be tested by cross examination. Although these reasons seem a little surprising I am mindful that it is not necessary to give reasons for abandoning an action and since cross examination is not an option which is available I would hesitate to come to the conclusion that the opponents were acting unreasonably.

24. Having considered the applicant's first complaint I must now turn my attention to the second which is that the opponents have continued to maintain a case which was against the evidence.

25. The correspondence filed by the applicant since the withdrawal of the opponent has referred in some detail to the issue of whether Mr Markou's account of events, particularly those surrounding the signing of an assignment in November 1991 and the consequences thereof, is contradicted by the evidence. In essence, it is the applicant's case that once the evidence of Mr David Robertson had been filed, which directly contradicted Mr Markou's account, it must have been apparent that the opponents were running a case which was bound to fail. The significance of Mr Robertson's evidence is that he is a solicitor and partner of Wetheralls, and as Mr Morgan's solicitor was responsible for drawing up the assignment referred to above. Further evidence contradicting the opponents account, in the view of the applicant, is Mr Markou's subsequent behaviour which plainly regarded the assignment as having taken place rather than it not having to come into effect, which was the case he was running in his evidence.

26. Clearly the opponents are refuting the applicant's account of events and have referred in their correspondence to various parts of the evidence which they say are supportive of their position.

27. The problem facing me against this background is that I have the task of having to decide the appropriate basis for costs when a substantive hearing, at which cross-examination of key witnesses would have been a central feature, has not taken place nor have the parties considered a hearing on costs to be essential even though the Office, in a letter dated 7 December 1998, considered a hearing preferable to an ongoing exchange of correspondence.

28. It is clearly the situation that in cases of this type, which not infrequently involve parties between whom relationships of one sort or another have broken down, there is animosity when the issue of entitlement has to be decided. The effect of this animosity can often be seen in a distinct conflict of evidence. This was the situation in both the *Rizla* and *Du Pont (Rebouillat)* cases referred to above, both of which went to a hearing in order to settle the issue of costs.

29. In the *Rizla* case, on appeal from a decision of a Hearing Officer in the Patent Office, the deputy judge took the view that there was nothing remotely exceptional about there being animosity between the parties to a patent entitlement dispute. He then went on to consider whether, when an allegation against the appellant had been made in the evidence, the appellant should have realised he could not succeed and should therefore have withdrawn from the action. At page 375 and line 21 he made the following observation:-

"As a general comment I would observe that it is inevitable in what are commonly known as "obtaining" cases that serious allegations are made - wrongful appropriation is the nature of the complaint. Many, and probably most, "obtaining" cases have involved acute conflicts of evidence with the inevitable inference that one side has behaved dishonestly. That such allegations are made in this case does not make the case exceptional."

He went on to say at line 26 on page 377:-

"I believe a case such as the present can only be regarded as exceptional if it can be shown that the losing party has abused the process of the Comptroller by commencing or maintaining a case without the genuine belief that there is an issue to be tried. In my view, this is not shown to be such a case. There are of course a large number of other circumstances such as deliberate delay, unnecessary adjournments *etc.* where the Comptroller will be entitled to award compensatory costs, but it is unnecessary to attempt to define what is clearly a wide discretion."

I would just add at this point that the hearing officer in *DuPont (Rebouillat)* relied on such observations and reasoning in coming to the conclusion that the circumstances in that case were not exceptional so as to justify a higher award of costs.

30. Whilst I appreciate that both the *Rizla* and *Du Pont (Rebouillat)* cases were decided on the particular facts I do believe that I need to take seriously into account the general principle set out by the deputy judge that in cases such as the present for an award of compensatory costs it must be shown that the losing party has abused the process of the Comptroller by commencing or maintaining a case without a genuine belief that there is an issue to be tried.

31. Without the benefit of a hearing, and particularly in the absence of cross-examination of both Mr Markou and Mr Morgan the key witnesses in this case, I do not believe that I can come to the conclusion that there has been abuse of the process of the type referred to by the deputy judge in *Rizla*. Many unfortunate incidents occurred during the course of these proceedings but, on the papers, I cannot come to the conclusion that Mr Markou had no genuine belief that there was an issue to be tried. He may have been mistaken and may be his account of events would have been proved to be at variance with the facts but that is a long way from saying that he should not have maintained his case bearing in mind the obvious difficulties in cases of this kind which I have referred to above.

32. Thus, whilst I have every sympathy with the applicant and appreciate the extent of the

expense to which he has been put I do not think I can find that the circumstances in this case were exceptional and that it would be safe for me to depart from the Patent Office scale of costs. I can however take into account that there have been two preliminary hearings for which I must apportion costs and I have come to the conclusion that the opponents ought to bear costs for both of these hearings which are towards the maximum allowed for on the Patent Office scale. There is no doubt that the second preliminary hearing was held when everything was ready for a substantive hearing except for the fact that Mr Markou's health problems were standing in the way. As for the first preliminary hearing, whilst the applicant may have had a small part in bringing it about, it seems to me that it was relatively insignificant when compared to the delay caused by the opponents not making their discovery documents available in a timely manner and the confusion they created by suggesting that Mr Markou might not be available for cross-examination at a hearing which he had known about for some time.

33. As a result of my findings I therefore order Celcat International Limited pay to Mr Bryan Morgan £2700 as a contribution to his legal costs, that sum being made up of £1200 for the first preliminary hearing and £1500 for the second preliminary hearing, the latter taking account of the fact that preparations had proceeded in readiness for a full substantive hearing.

34. Any appeal from this decision must be lodged within six weeks from the date of the decision.

Dated this 26th Day of January 1999

D L WOOD

Divisional Director, acting for the Comptroller

THE PATENT OFFICE