BL O/357/06

8 December 2006

**PATENTS ACT 1977**

BETWEEN

Lambda Research Inc. — Claimants

and

Ecoroll AG Werkzeugtechnik — Defendants

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PROCEEDINGS

Application for revocation of patent EP(UK) 0353376
under section 72(1)

HEARING OFFICER Stephen Probert

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## DECISION

1 This decision follows a hearing that took place on 27th September 2006. Two preliminary issues were decided during the hearing. As a result of at least one of those preliminary rulings, the defendant chose not to defend the patent and consequently it was accepted that the patent would be revoked. This decision therefore sets out the reasons behind the two preliminary rulings that were made during the hearing, and formally orders the revocation of the patent.

2 At the hearing, the claimant was represented by Mr Tom Mitcheson (Counsel) instructed by Carpmaels & Ransford, and the defendant was represented by Dr Robert Ackroyd of W.P. Thompson & Co.

**First Preliminary Issue - Status of Claimant in Proceedings**

3 This application for revocation was commenced on 13th October 2003. In addition to filing a counterstatement, the defendant also applied to amend the claims of the patent under Section 75. As far as I can see, the claimant has not opposed the amendment of the patent, and in a letter to the Patent Office dated 18th August 2005 the claimant confirmed that it had:

> "... considered carefully with its advisors the amendments sought and has concluded that, if those amendments are made, for commercial reasons there is

no need to pursue the application for revocation further at this stage."

4 As far as costs were concerned, the claimant offered a compromise, proposing that each side should bear its own costs on the application overall. Mr Mitcheson said that the claimant's suggestion as to how matters should be dealt with is shown in the following passage from the same letter of 18th August 2005:

> "The Applicant [claimant] suggests that if the Comptroller is satisfied with the allowability of the amendments, the amendments should be allowed and the proceedings then withdrawn with no order as to costs. Should the Patentee for some reason not be agreeable to what is proposed, for the above reasons the Applicant reserves the right to seek all its costs of these proceedings from the Patentee at any future hearing."

5 Unfortunately, after this point in proceedings, the position seems to have become a little confused. It seems to me that the defendant misunderstood the claimant's letter of 18th August; in fact, Dr Ackroyd said that they did not find the letter clear at all. Consequently the defendant sought to clarify the position by inviting the claimant to agree to a restatement of the offer, or a counter-offer as Dr Ackroyd described it. The defendant therefore wrote (to the Comptroller, copied to the claimant) as follows[1]:

> "Referring first to the claimant's letter, it is our understanding that this constitutes an offer to withdraw both its application for revocation and its opposition to the amendments sought by the defendant, on condition that each party agrees to bear its own costs incurred in both the revocation and the amendment proceedings (and subject to the reservation at the end of the fourth paragraph of the letter).
>
> If our understanding is correct, the defendant accepts the offer."

6 In response to the defendant's letter, the claimant replied [2]:

> "We hereby confirm that the defendant's understanding as set forth in paragraph 2 of that letter is correct. That is to say, the claimant offers to withdraw both its application for revocation and its opposition to the amendments sought by the defendant, on condition that each party agrees to bear its own costs ..."

7 Mr Mitcheson did not accept that the defendant's summary (as he called it) of the original offer constituted a counter-offer. He said that it was not presented as a counter-offer in W P Thompson & Co.'s letter [1]; it was presented as a summary of the claimant's original offer. Nevertheless, even if it were to be regarded as counter-offer, he submitted that there was no acceptance of the counter-offer in the reply from Carpmaels & Ransford on behalf of the claimant [2].

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[1]W P Thompson & Co.'s letter dated 9 September 2005.

[2]Carpmaels & Ransford's letter dated 12 September 2005.

8 Reading through these letters from the two parties, with the undisputed luxury of hindsight, is rather like listening to two people having a conversation when you are aware that they are talking at cross purposes. Dr Ackroyd was convinced that the claimant had accepted his counter-offer, and had withdrawn from the proceedings with only one condition — that each party would bear its own costs. I put it to Dr Ackroyd that he must have thought that all his Christmases had come at once, and he agreed. On the other side, Mr Mitcheson said that the claimant's position had remained the same throughout — ie. they would only withdraw the revocation proceedings if the amendments were allowed.

9 Regrettably, the Patent Office appears to have contributed to the confusion by following the procedure set out in the Manual of Patent Practice at paragraph 72.29 under the heading "*Unconditional withdrawal of applicant* " instead of the slightly different procedure described at paragraphs 72.32-33 under the heading "*Conditional withdrawal of applicant* ". However, apart from a missed opportunity to point out the apparent misunderstanding between the parties, nothing of significance turns on the difference between the two procedures.

10 The issue that I had to decide at the hearing was whether the claimant remains a party to the revocation proceedings. Dr Ackroyd maintained that the claimant had withdrawn from the revocation proceedings (as a result of accepting the defendant's counter-offer) and had no right to be heard in relation to the revocation of the defendant's patent. (It is generally accepted that where an applicant for revocation seeks to withdraw from revocation proceedings before the Comptroller, an examiner considers whether the Comptroller should accept the notice of withdrawal without qualification or whether there are questions remaining that the Comptroller should continue to consider in the public interest.[3] This practice, which is now well established, was not challenged in this case.)

11 Fascinating though it might have been to consider the strength of the party's arguments in relation to contract law — eg. was there a counter-offer, and/or acceptance of an offer? — I did not base my decision on any of these considerations. It seemed to me that if there was a contract between the parties concerning withdrawal of the revocation proceedings, it was precisely that — between the parties. If there was a contract, the Comptroller was not a party to it, and is not required to enforce the terms of such a contract.

12 Whatever the nature or status of any agreement between the parties, it was very clear to me that the claimant has only sought to withdraw the application for revocation in the event that the defendant's amendments are allowed. I therefore decided that the claimant is still a party to the revocation proceedings, unless the patent is amended as proposed.

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[3] *Abbott Laboratories (Chu's) Patent* [1992] RPC 487, following *General Motors (Tunney & Barr's Application)* [1976] RPC 659 decided under the 1949 Act.

**Second Preliminary Issue - Defendant's Application to Amend the Patent**

13 Shortly after the revocation action was launched, the defendant sought the Comptroller's discretion to amend the patent . As Dr Ackroyd explained, the desired amendment essentially consists of importing the features of claims 2, 3 and 7 into claim 1. After amendment, the patent would have had a new claim 1 that is equivalent to granted claim 7, when dependent upon [granted] claim 3. Dr Ackroyd described this as a "claim cancelling" amendment, since that is effectively the result of the amendment.

14 As stated above, the claimant has not opposed amendment of the patent. Consequently Mr Mitcheson, his pupil, and his instructing patent attorney remained in the room as members of the public while this issue was being heard, and I only listened to submissions from Dr Ackroyd on behalf of the defendant.

15 In addition, I had read the examiner's report to the Comptroller in relation to the amendments requested under Section 75; this report raised no statutory objection to the amendments. I therefore agreed with Dr Ackroyd that the only problem that he needed to address was whether the Comptroller should exercise his discretion and allow the amendment. I say 'problem', because the examiner's report pointed out that the patentee should have been aware of the need to amend the patent more than eleven years before the application to amend was made. If there is any substantial delay in seeking amendment to overcome a defect in a patent, the Comptroller requires an explanation of the delay.

16 Dr Ackroyd submitted that the principles I should bear in mind concerning discretion as to whether or not to allow amendment were those established by Aldous J in the *Smith Kline & French* (or *"SKF"* ) case [4]. I agree; those principles are:

> (i) the onus to establish that amendment should be allowed is upon the patentee and full disclosure must be made of all relevant matters;
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> (ii) amendment will be allowed provided the amendments are permitted under the Act and no circumstances arise which would lead the court to refuse the amendment;
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> (iii) it is in the public interest that amendment is sought promptly, so a patentee who delays for an unreasonable period before seeking amendment must show reasonable grounds for his delay;
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> (iv) a patentee who seeks to obtain an unfair advantage from a patent, which he knows or should have known should be amended, will not be allowed to amend;
>
> (v) the court is concerned with the conduct of the patentee and not with the merit of the invention.

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[4] *Smith Kline & French Laboratories Ltd v Evans Medical Ltd* [1989] FSR 561

17 There is one further important principle that Dr Ackroyd stressed very carefully. Referring to another judgment of Aldous J's, this time in *Chiron v Organon (No. 7)* [5], Dr Ackroyd reminded me that the Courts have consistently adopted a different approach to the exercise of discretion depending on whether the requested amendment seeks to validate (eg. re-write) an invalid claim or merely delete an invalid claim. At page 460, Aldous J said:

> "When exercising the discretion on amendment attention must be paid to the nature of the amendments sought, as there is a material difference between deletion of claims and validation by reformulation. The courts have been more ready to allow amendment in the former case than in the latter."

18 Later, at page 463, when it was clear that refusing discretion to amend the patent would lead to revocation, Aldous J added:

> "In cases of deletion, a patentee will not be deprived of the fruits of his invention unless there are very compelling reasons to do so."

19 Dr Ackroyd told me that he thought this point was of great relevance to the decision I had to make, and I recognise this. I approached this issue on the understanding that the amendment being sought was (in substance) deletion (or claim cancelling). Moreover, because of the reasons that the patentee had put forward for seeking the amendment, it appeared likely to me that the consequence of refusing discretion to amend would also be revocation of the patent. Therefore I accepted Dr Ackroyd's submission that I should not refuse discretion to amend unless there were very compelling reasons to do so.

20 With this in mind, I also had the benefit of some very helpful submissions from Dr Ackroyd in respect of each of the five principles established in *SKF*. I can deal very briefly with most of them because in most cases I agreed with the submissions that were put to me.

21 In this case, the patentee has clearly accepted that it has the onus to establish that amendment should be allowed. Furthermore, as Dr Ackroyd pointed out, the patentee has provided full disclosure of all relevant matters, including for example, the files relating to the prosecution of the European and US patent applications. The first principle is satisfied.

22 Secondly, I had already agreed with Dr Ackroyd that the amendments are permitted under the Act, and that I was unaware of any circumstances which would lead the Comptroller to refuse the amendment. In particular, there is no suggestion that the requested amendment falls foul of section 76 (disclosure of additional matter). So the second principle is also satisfied.

23 The third principle exists to protect the public interest, and requires that amendment is sought promptly. If there has been unreasonable delay, then there must be reasonable grounds for that delay. In this case, the applicant for revocation based its case largely on a US patent (US2,576,938) "Brenneke"

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[5] Chiron Corporation and Others v Organon Teknika and Others (No. 7) [1994] FSR 458.

that was published in 1951. The evidence filed in these proceedings shows that the patentee was first made aware of the existence of the Brenneke patent in December 1989 when it was cited against a US patent application (US 4947668) corresponding to the European patent that is the subject of these proceedings.

24 At that time, the patentee was represented by Mr Manfred Liermann in respect of the European patent application, and he in turn instructed a Mr Fasse in America in respect of the corresponding US patent application. Although Messrs Fasse and Liermann were both aware of the Brenneke patent in December 1989, it was not until 12th February 1990 that Mr Liermann wrote to the patentee mentioning, among other things, the Brenneke patent and advising them that he had proposed an amendment to claim 1 (of the US application) that would enable them to maintain the remaining claims.

25 However, the patentee did not seek to amend the European patent until December 2003 — fourteen years after their agent, Mr Liermann, was made aware of the prior art that now prompts this request to amend; and very nearly fourteen years after the patentee itself was advised of the need to amend the corresponding US application because of Brenneke.

26 There was no doubt in my mind that a delay of roughly fourteen years before seeking amendment can fairly and accurately be described as “unreasonable delay”. I don’t think, in fairness to Dr Ackroyd, that he would have disagreed. His argument was that the patentee was not specifically advised in 1990 that their European patent application should also be amended in the light of the teaching of Brenneke. Therefore he did not accept that the patentee had waited fourteen years before requesting amendment. He reminded me that the patentee had requested the amendment at the same time that they had filed a counterstatement in these revocation proceedings, and it was his submission that this was the first time that the patentee had been specifically advised to consider Brenneke in relation to the European patent.

27 Dr Ackroyd took me through the evidence concerning the prosecution of the two patent applications (ie. US and EP), and I think it is fair to say that he succeeded in demonstrating that at no time were the patentees clearly and unambiguously advised of the need to amend the European patent application as a result of Brenneke. As Dr Ackroyd put it, no consideration of Brenneke, or its relationship with the European application, was solicited or encouraged of the patentee by Mr Liermann.

28 But as I saw it, the patentee must have known that they had two applications (ie. US and EP) that were essentially equivalent. When they were told in 1990 of the existence of prior art (dating from 1951 — Brenneke) that necessitated amendment of claim 1 of the US application, I would have expected them to actively consider whether a similar amendment should be made to the corresponding European application. In my view, it was not enough for the patentee to rely on inactivity as a defence. If Dr Ackroyd had been able to point to any evidence that the patentee (or even Mr Liermann) had considered Brenneke and concluded that there was no need to amend the

European application — eg. if they had considered that the US examiner had been over zealous in making the objection — then I may have exercised discretion and allowed the amendment. I would have taken a more sympathetic view of the situation because this is a claim cancelling amendment, and because I suspected that to refuse discretion in this case would deprive the patentee of the fruits of their invention in circumstances where there would have been no "very compelling reasons to do so".

29 But as it turns out, the patentee does not appear to have given any consideration at all to the question of amending the European patent when they were informed of the existence of Brenneke. In the context of the third principle from *SKF*, I considered that the patentee had not shown reasonable grounds for the delay of fourteen years; consequently, I refused to exercise discretion. Although this meant that the patent would be revoked, I felt that the patentee's conduct, together with the period of the delay involved, amounted to a "compelling reason" for reaching this conclusion. I note in passing that because of the extent of the delay compared to the remaining life of the patent, the patentee may not in fact be deprived of very much 'fruit' anyway; but this was not in my mind when I made the decision.

30 If only for the sake of completeness, I should say something about the fourth and fifth principles from the *SKF* case. There was no suggestion in the evidence before me that the patentee had sought to obtain an unfair advantage from the unamended patent. On the contrary, the patentee has adduced evidence to the effect that there have been no legal proceedings or disputes with third parties involving enforcement of the patent or its counterparts in other countries. And lastly, I confirm that I have given no consideration to the merit of the invention; I have concentrated rather on the conduct of the patentee.

**Revocation of the Patent**

31 After the above rulings had been given, and before either party had made any submissions on the substantive issue of revocation, Dr Ackroyd informed me that the patentee would not attempt to defend the patent in its unamended form. I asked him whether he accepted that the patent should therefore be revoked, and he accepted that (subject to any appeal against my decision to refuse discretion to amend). I therefore order that patent EP(UK) 0353376 shall be revoked.

**Costs**

32 The claimant has succeeded in this revocation action, and Mr Mitcheson requested an award of costs. Furthermore, he said that the claimant should be awarded costs on a higher basis than the usual scale because of the defendant's behaviour. He explained that the claimant had been forced to attend the hearing in case the defendant attempted to defend the unamended claims. (As stated above, the claimant had already made it clear that they had no interest in revoking the patent if the requested amendments had been allowed.)

33 Dr Ackroyd's position was that the defendant had not attempted to defend the unamended claims, and had conceded on validity. He added that it had been the defendant's genuinely held belief for the past year that the claimant had withdrawn from the proceedings. He added that the evidence that had been filed was in connection with the amendment application, and reminded me that the application to amend was made unconditionally at a very early stage in the proceedings. Dr Ackroyd clearly considered that as far as costs were concerned, very little had been 'wasted' in relation to the unamended claims.

34 It seems to me that the defendant was fully entitled to pursue the application to amend, even though I rejected it at the hearing. Another consideration that I think is important is that very shortly after I refused discretion to amend the application, the defendant conceded that the unamended claims were invalid, and threw in the towel. Moreover, it appeared to me that if the claimant had not attended the hearing, and perhaps more significantly, if I had not found that the claimant was still a party to the proceedings, the defendant may not have conceded so readily. They would have had nothing to lose by arguing the case, but their own costs. However, that was not the position, and the clear impression I got was that the defendant threw in the towel when they did because of the implications in terms of costs as far as the claimant was concerned.

35 Both parties recognised that costs before the comptroller are not intended to compensate the successful party for the expense that has been incurred, but merely to contribute to that expense. Although I have the power (as explained at paragraph 5.47 of the "Patent Hearings Manual") to award higher costs where a party has incurred additional expenditure on account of unreasonable behaviour by the other side, I am not persuaded that the defendant's behaviour in these proceedings was so unreasonable as to justify departing from the normal scale. I have therefore decided to award costs according to the normal scale.

36 I therefore direct that the defendant (Ecoroll AG Werkzeugtechnik) shall pay the claimant (Lambda Research Inc.) the sum of £1,500 within 7 days of the expiry of the appeal period below. Payment will be suspended in the event of an appeal.

**Appeal**

37 Under the Practice Direction to Part 52 of the Civil Procedure Rules, any appeal must be lodged within 28 days of the receipt of this decision.

**S J Probert**
Deputy Director acting for the Comptroller