



PATENTS ACT 1977

BETWEEN

Elsworth Ethanol Company Limited

Claimant

and

Ensus Limited

Defendant

PROCEEDINGS

Reference under sections 12 and 37 of the Patents Act 1977 in respect of
EP2007897 B1 and PCT/GB2007/001060

HEARING OFFICER

A C Howard

Dr Duncan Curley appeared on behalf of the Claimant

Mr Michael Hicks appeared on behalf of the Defendant

Hearing date: 9 December 2013

STATEMENT OF REASONS FOR DECISION

- 1 These proceedings relate to a reference under section 37(1) of the Patents Act 1977 and an application made under section 12(1), filed on 28 August 2013 by Elsworth Ethanol Company Limited (“the claimant”) in respect of EP2007897 B1 and PCT/GB2007/001060 respectively.
- 2 European patent EP2007897 B1 entitled “*Enhancement of microbial ethanol production*” was granted on 19 September 2012 to Bioconversion Technologies Limited (“BCTL”), claiming an earliest priority date of 24 March 2006 from GB0605890.3. The invention relates to a novel thermophilic bacterium lacking lactate dehydrogenase activity, characterised in that the bacterium contains a gene encoding an NAD-linked formate dehydrogenase.
- 3 The current proprietor of European patent EP2007897 B1, international patent application PCT/GB2007/001060 and all corresponding applications derived therefrom is Ensus Limited (“the defendants”) by virtue of a deed of assignment from BCTL.

- 4 In addition to these proceedings, a closely related claim (“CC12PO1450”), filed by the claimants in April 2012, regarding the ownership of two corresponding UK patent applications GB0605889.5 and GB0605890.3 is currently proceeding through the Intellectual Property Enterprise Court (“IPEC”). The trial date for which was set for 18 to 19 December 2013. However, a preliminary hearing was scheduled for 12 December 2013 where the claimants are seeking leave to amend their particulars of claim to encompass essentially all those claims which are the subject of this reference.
- 5 The claimants in their statement of grounds of 28 August 2013 requested that the comptroller decline to deal with their claim on the basis that there is significant overlap between the issues in these entitlement proceedings and those currently before the IPEC. The defendants in a letter accompanying their counterstatement of 22 October 2013, opposed the claimants request on the grounds that it would be more cost effective and desirable for the reference to be dealt with by the UKIPO rather than the court. The matter therefore came before me at a hearing on 9 December 2013. An oral decision, declining to deal with the reference was given at the hearing with reasons to follow. This statement lays out my reasons for declining to deal in full.

The Law

- 6 Even where the comptroller has jurisdiction to hear an issue, in some instances he has the power to decline to deal with it. This power is available in patent proceedings under sections 8, 12 or 37 of the Patents Act 1977. In each case, the test laid down in the Act is whether it appears to the comptroller that the issue involves matters which would "more properly be determined by the court"
- 7 The questions to be considered by the comptroller in declining to deal with entitlement cases under sections 8 and 12 of the Patents Act 1977 were dealt with by Warren J in *Luxim Corp v Ceravision Ltd* [2007] EWHC 1624 (Ch), [2007] RPC 33. The comptroller had hitherto declined to deal only where the issues were so difficult and complex that the hearing officer felt he could not address them effectively. The *Luxim* judgment found that this was the wrong approach, and that the question to be considered by the comptroller was whether the court could "more properly" determine the issue. The comptroller should consider exercising discretion to decline to deal whenever a case was complex and should not do so "sparingly" or "with caution". In making the determination, it was necessary to consider the technical, factual and legal aspects of the case and judge these against the expertise and experience of a hearing officer as compared with that of a judge. Technical matters, expert witness evidence, English or foreign patent law would not indicate transfer to the court. Fraud, breach of fiduciary duty, and legal issues falling outside patent law, for example, might do so.

Arguments and discussion

- 8 In response to the claimants' request for the comptroller to decline to deal with this reference, the defendants suggested an alternative approach whereby the UKIPO is requested to stay these proceedings until such time as the IPEC claim is settled whereupon any remaining issues regarding ownership of the alleged "additional matter" contained in the EP(UK) and PCT applications should be resolved by the

UKIPO. Their arguments are set out in the letter accompanying their counterstatement. I am also grateful to both the claimants and defendants for having supplied me with a copy of their “skeleton arguments” dated 4 December 2013 and 5 December 2013 respectively which provide a useful summary of the main points which were discussed at the hearing. I do not intend to repeat all the arguments here in full but will summarise them appropriately in the paragraphs which follow.

- 9 The claimants’ arguments in favour of my declining to deal with this claim are essentially that:
- a) There is a very significant degree of overlap between the factual issues in these entitlement proceedings and the existing proceedings in the IPEC, and that it is clearly unsatisfactory for this dispute to be ongoing in two different fora. Dr Curley referring in support of his arguments to the comments of Lord Justice Jacob concerning parallel proceedings in *IDA and Others v The University of Southampton and Others* [2006] E.W.C.A Civ 145;
 - b) The dispute between the parties involves (*inter alia*) a complex area of non-patent law namely a claim to breach of fiduciary duty and breach of contract. Dr Curley referring in support of his arguments to the judgment in *Ultraframe v Fielding and Others* [2005] EWHC 1638 (*ch*). He also referred me to a previous decision of the Comptroller in *Mastermailer Holdings Plc BL 0/433/10* where an allegation of breach of fiduciary duty giving rise to an entitlement claim was previously held to favour a decision by the Comptroller to decline to deal;
 - c) Ensus’ claim to entitlement relies heavily on Deeds of Assignment transferring ownership from the inventors (Drs Javed and Yazdi) to BCTL. However, there are issues to be resolved regarding the date on which these deeds were signed and whether they were validly executed. Issues which Dr Curley argues are potentially complex and require resolution by a judge.
 - d) Ensus’ arguments regarding their continued entitlement to some aspects of the patents by virtue of the inventors having contributed “additional subject matter” after having parted company with the claimants is an attempt on their part to argue that no fiduciary duty was owed by the inventors in respect of such material. As such, Dr Curley argues that this matter is inextricably linked to the issue of fiduciary duty and should be dealt with as part of the courts deliberations on the apparent breach of that duty by the inventors; and
 - e) When Ensus applied to join the court proceedings it seemed content for the court to decide the issue of entitlement in its entirety asking the court for a declaration that “...*the claimants have no claim or entitlement of any kind in respect of any of the patents in the patent family in issue*”. However, it now seems that the defendants are keen for some issues to be decided by the UKIPO which Dr Curley argues is entirely unsatisfactory and not in the interests of justice.
- 10 In summary, Dr Curley argues that there are a number of closely interrelated complex legal, factual and evidential matters at play here, which cumulatively make

the entitlement reference more suitable for determination by the Court and not by the Comptroller.

- 11 Mr Hicks began his submissions by taking me through the judgement in *Luxim Corp v Ceravision* referring specifically to paragraphs 63 and 68, arguing that in matters such as these the default position is for cases to remain with the Comptroller unless it appears to him that the case is more properly determined by the court, where the case is evenly balanced it should remain within the jurisdiction of the Comptroller. When deciding whether to decline to deal with a reference, the Comptroller should consider the complexity of the case before him and the effect of any parallel proceedings before the Court.
- 12 Regarding the issue of complexity, Mr Hicks argues that once the Court has decided upon the ownership of the two UK applications there will be no legal complexity e.g. in terms of a breach of fiduciary duty etc. remaining in the reference that would require its referral to the Court. Indeed, what remains to be decided would be the extent to which the parties would be entitled to ownership of the additional subject matter contained in the EP(UK) and PCT applications. He argues that this would require a technical enquiry as to the relative contribution made by the additional subject matter and the extent to which there was an enabling disclosure within the original applications, and that such technical considerations are relatively straight forward and appropriate for the Comptroller to decide.
- 13 Mr Hicks was keen to point out that parallel proceedings before the court are more common than one might think, and that they only give rise to problems when parties are being asked to fight cases simultaneously in two or more jurisdictions. The solution in such cases being either to combine the claims and to hear them together in one court or to stay one set of proceedings pending resolution of the other. It is this latter course of action which the defendants are promoting here.
- 14 Whilst it is clear that the IPEC hearing on 18 to 19 December 2013 should resolve the issue regarding ownership of the two UK applications, Mr Hicks argued that it will not have time nor will it be in a position to decide on ownership of the additional subject matter contained within the EP(UK) and PCT applications as there was no mention of issue in the original particulars of claim. He argued that resolution of this matter is likely to require an additional exchange of evidence for which there was little or no time before the trial and that it may well be necessary for there to be a second hearing before the Court. However, if the proceedings before the Comptroller were to be stayed, and the Court were to decide that the claimants have no legitimate claim to ownership of either of the two UK applications then this reference will go no further.
- 15 Furthermore, he argues that even in the event that the Court rules in favour of the claimants, it will have dealt with the legal complexities of the case and will have resolved the issue regarding the dating and execution of the deeds of assignment, to the extent that all that will remain to be decided are the technical issues associated with ownership of the additional subject matter and the consequences which follow on from joint ownership e.g. who should decide which applications to pursue and who should bear the costs of future prosecution? Mr Hicks believes that such issues are common in actions of entitlement before the Comptroller who is well equipped

and experienced to decide such issues and the claim should not therefore be automatically transferred to the Court.

- 16 In summing up, Mr Hicks made it quite clear that he did not think that the Court would have sufficient time allocated to deal with these additional issues at the Hearing on 18 to 19 December and that as a consequence of declining to deal with this reference the defendants would be put to the added expense of preparing for a second hearing before the Court. He argued that even if the Court could deal with these points at the forthcoming trial, the costs of dealing with them would be entirely wasted should the Court decide in favour of the defendants. Mr Hicks was also keen to draw my attention to the fact that the claimants had in place a Conditional Fee Arrangement suggesting that they had limited funds available to pay any costs arising from the proceedings. He argued that a stay was therefore a reasonable attempt on the defendants' part to keep costs to a minimum.
- 17 Mr Hicks also suggested that should the Court decide that the UK applications are indeed owned by Elsworth then it would make sense for the parties to attempt to settle terms of joint ownership in the EP(UK) and PCT applications outside of the Court, and that a stay in proceedings would provide them with an opportunity to do so thereby further reducing the potential cost of the proceedings.

Analysis

- 18 I cannot escape the fact that there is a significant degree of overlap between these proceedings and those which exist before the Court. Furthermore, it is clear that the outcome of this reference relies heavily upon a determination by the Court regarding the ownership of the two UK applications on which the EP(UK) and PCT applications are based. Indeed, without this, the reference can go no further. What is evident is that in deciding upon the ownership of the UK applications the Court will have to consider issues of breach of fiduciary duty and contract together with issues regarding the validity and execution of the deeds of assignment. I have no doubt that, complex legal issues such as these would be more properly dealt with by a judge.
- 19 However, I would have to agree that, if the outcome of this reference were to turn on the extent to which the parties would be entitled to joint ownership of the additional subject matter contained in the EP(UK) and PCT applications, this is more likely to require a technical enquiry as to the relative contribution made by the additional subject matter and the extent to which there was an enabling disclosure within the original applications. These matters are common place in proceedings before the Comptroller who is well placed to deal with them. Unfortunately, it would be wrong for me to try and second guess the outcome of the Court case or even to infer the direction in which this claim is likely to progress, particularly as there have been no submissions or evidence filed on the additional subject matter point. What I can say, is that it is clearly unsatisfactory for this dispute to be ongoing in two different jurisdictions, and for me to tie the hands of the Court in respect of the remedies available to it under the Patents Act 1977 would seem inappropriate. Whilst on the face of it, a stay in proceedings seems attractive, I do not think the benefits associated therewith outweigh the desirability and efficiency associated with the proceedings being dealt with in a single forum. Indeed, it would seem highly inefficient for the Comptroller to be called upon to deal with those issues which

remain left over from the trial which the Court itself could have equally well dealt with, were it given the opportunity to do so. In either case, it is likely that additional submissions and evidence may have be required to dispose of this reference.

- 20 On balance, I therefore think it entirely appropriate for me to decline to deal with this reference under section 12(2) and 37(8) of the Act on the grounds that the question referred to me is one which would more properly be determined by the court.

Costs

- 21 At the hearing, I gave the parties two weeks to file written submissions in relation to costs. I shall make this the subject of a separate decision.

Appeal

- 22 Any appeal must be lodged within 28 days

Tony Howard

Divisional Director acting for the Comptroller