



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. On 3 December 2012, together with its counterstatement, 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.
- 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.

- 4 In my preliminary decision dated 16 April 2013¹ I agreed to the request by Wallenius that the question of estoppel should be dealt with first. After filing further written submissions the parties have agreed that I should decide this point on the basis of the papers on file, and that is accordingly what I shall proceed to do. For the avoidance of any doubt, I confirm that I have taken into consideration all correspondence filed by both parties up to and including 4 July 2013.
- 5 The previous proceedings cited by Wallenius both relate to infringement of the patent and are as follows:
- Wallenius Water AB and Biozone Scientific International OY v Airsteril UK Limited (final judgment given in an order by Mr Justice Mann on 24 May 2011) (claim no. HC10C00716); and
 - Wallenius Water AB and Biozone Scientific International OY v Brian Dewsbury and Airscience Technology International Limited (final judgment given in an order by Mr Justice Arnold dated 2 December 2011) (claim no. HC11C001668).
- 6 It is not in dispute that in the course of both these proceedings the validity of the patent was called into question, but Airscience argues that estoppel should not apply because in neither case was it fully considered by the court.
- 7 I also note here that the defendant in HC10C00716 (hereafter referred to as “Airsteril”) was a predecessor company to Airscience, the present claimant. Estoppel would normally arise only where the parties were the same but it can also apply where parties have sufficient privity of interest. With regard to Airsteril and Airscience, the same person, Mr Brian Dewsbery, is or was a majority shareholder in, and effectively controlled, both companies, and it has not been disputed that should an estoppel arise from the judgment in HC10C00716, it would apply to Airscience.

The law

- 8 Estoppel is an equitable principle, and in determining how it should apply in these proceedings I must have regard to the overriding objective of dealing with cases justly as set out in paragraph (2) of rule 74 of the Patents Rules 2007 (as amended) (“the Rules”), which 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,

¹ BL O/156/13

(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.

- 9 Estoppel arising from actions that have been previously litigated comes in two forms: *issue estoppel* applies where, in the context of proceedings, there are several issues raised (for example, findings of specific facts) which are necessary for the determination of the whole case. Once an issue has been raised and distinctly determined (even if the question was in fact not the subject of any dispute or argument) then as a general rule neither party can be allowed to fight that issue all over again.
- 10 A cause of action is effectively an assemblage of factual allegations and legal submissions which make up a case (typically expressed in the pleadings). *Cause of action estoppel* arises when a question has been raised and decided in earlier proceedings. In *Chiron v Organon Teknika*², which was referred to me by Wallenius, there had been earlier actions between the parties in which a patent had been held valid and infringed. For reasons it is not necessary to go into here, the plaintiff was obliged to start a new action for infringement against the same defendants for infringement of the claims that had been held valid. In the new action the defendants were not allowed to raise a defence of invalidity partly on the basis of grounds (specifically, new experimental evidence) that had not been raised in the earlier action. An important factor in this conclusion was that the grounds in question could have been raised in the earlier proceedings. It also appears to have been considered relevant that the defendants had access to good legal advice. To quote Aldous J (as he was then):
- “I appreciate that the defendants were under pressure in preparing their cases for trial. However, at all times, they had been advised by solicitors who had considerable experience in patent litigation and by specialist counsel. I was under no misapprehension that the timetable that was set might mean that the trial date would have to be vacated. I was also aware of the potential injustice that might have been inflicted upon the defendants, if they did not have the opportunity to plead and prove their case on the Ross River virus prior art. That I believe appears from the judgment of 7 April 1993, part of which I have read. It seems that the defendants did not, at the start of the trial, envisage that anything was wrong. They never applied for an adjournment and cannot now complain that they did not have sufficient time to prepare their case properly. The evidence establishes a classic case of defendants wanting a second attempt at establishing their case which the doctrine of res judicata is meant to preclude.”*
- 11 Wallenius has pointed out to me that there are exceptions to the principle of estoppel to allow for special circumstances where a party could not with reasonable diligence have litigated the earlier case properly. Examples include where a judge has made

²*Chiron v Organon Teknika* No. 6 [1994] FSR 448

an error³ and where there was fraud and perjury in previous proceedings⁴.

- 12 Wallenius also drew my attention to the overlap between estoppel and the principle, as set out in *Henderson v Henderson*⁵ that in the interests of finality of litigation, parties should bring forward their whole case at the outset, in order that a party should not be twice vexed in the same matter. This has been clarified in *Johnson v Gore Wood & Co*⁶, a case decided at first instance on the basis of estoppel, but decided by the House of Lords on a rather wider basis of abuse of process. As stated by Lord Bingham:

“It is however wrong to hold that because a matter could have been raised in earlier proceedings it should have been, so as to render the raising of it in later proceedings necessarily abusive. That is to adopt too dogmatic an approach to what should in my opinion be a broad, merits-based judgment which takes account of the public and private interests involved and also takes account of the facts of the case, focussing attention on the crucial question whether, in all the circumstances, a party is misusing or abusing the process of the court by seeking to raise before it the issue which could have been raised before.”

Discussion

- 13 It is clear from the authorities that for an estoppel to be successfully raised the issue or cause of action must be the same as between the present and earlier proceedings. For example in *Chiron*, the cause of action in both cases was infringement and invalidity was pleaded as a defence. In the present proceedings this is not so, at least on its face. The earlier proceedings were for infringement, while the present proceedings relate to a claim for invalidity.
- 14 Wallenius point out the general principle, as set out in the CPR at 3.4.3.2, that a party to litigation should bring forward the whole of his case, and argue that since invalidity is an available defence to infringement, the question properly belonged to the subject of the earlier litigation and should have been raised in that context. A logical conclusion of this line of reasoning is that even if the question of validity is not raised at all in proceedings for infringement, a final decision that a patent is infringed is *res judicata* as between the parties with regard to the validity of the patent.
- 15 I think this is going too far. I accept that where invalidity is raised as a defence to infringement this involves a cause of action with regard to validity which could be invoked to estop subsequent proceedings for revocation. However I do not believe there can be said to be identity between actions for infringement and revocation as such just because validity can be challenged in infringement proceedings. To my mind this is not the same situation as, for example, existed in *Chiron* where there was plainly identity of cause of action between the respective sets of proceedings for infringement, and the question was whether new grounds of invalidity could be raised in the later one.
- 16 Validity could be also regarded as an issue which may or may not have been

³ *Arnold and others v National Westminster Bank plc* [1991] 2 WLR 1177

⁴ *Cinpres Gas Injection Ltd v Melea Ltd* [2008] RPC 17 375

⁵ *Henderson v Henderson* [1843] 3 Hare 100

⁶ *Johnson v Gore Wood & Co* [2001] 2 WLR 72

decided in the context of the earlier proceedings. However, whichever perspective is adopted, the question reduces to whether the question of validity was before the court (and, by implication, decided) when final judgment was made in the two earlier cases. Wallenius argue that it was, for reasons I go into further now.

Wallenius Water AB and Biozone Scientific International OY v Airsteril UK Limited
(claim no. HC10C00716)

- 17 In this action for infringement, the defendant Airsteril initially filed material purporting to be a “Defence and Counterclaim” which included an assertion that the patent was invalid for want of novelty and inventive step. This was subsequently amplified by filing a document entitled “Revised Defence” which referred to a number of prior art documents including four of the US patents cited in the present proceedings.
- 18 The totality of this material was considered unsatisfactory and the “Defence and Counterclaim” were in consequence struck out and Airsteril was refused permission to serve the “Revised Defence”. Airsteril (who had been unrepresented) were however given opportunities to serve a new defence complying with the Civil Procedure Rules and in which the grounds for alleging invalidity were set out with full particularity. When they failed to do so, final judgment was made in favour of Wallenius.
- 19 Airscience say that this happened because following an interim award of costs in that action, Airsteril had run out of funds. They say an insolvency practitioner had advised that they could not lawfully trade because they were insolvent and could accordingly take no further part in the proceedings.
- 20 Wallenius dispute this because Airsteril did not actually go into liquidation until after the expiry of the deadline set by the Court for filing a defence. They also say that the court simply struck out two documents, not the entire issue of invalidity. They say that because of this, invalidity was before the court when the Order was made.
- 21 I do not accept this reasoning. In its Order, the Court struck out the “Defence and Counterclaim”, and refused permission for the “Revised Defence” to be served. Together these documents comprised the totality of Airsteril’s arguments. In the absence of a new defence having been filed, I do not see how it could be said that invalidity was before the court in any meaningful way at the time the Order was made.
- 22 Wallenius, citing *Chiron*, argue that “cause of action” estoppel should nevertheless apply because invalidity was a point which might, with reasonable diligence, have been brought forward. This brings me to the reason the point was not before the court. Airscience says that Airsteril could not bring the point forward because it was insolvent following an award of costs against them in the action; Wallenius says that Airsteril was not in liquidation at that time and had “multiple opportunities” to submit its case properly.
- 23 I do not think the precise timing of the liquidation is critical. Airsteril was obviously in serious financial difficulty and I have no reason to doubt that an insolvency practitioner could have given advice ahead of the formal liquidation of the company that it was insolvent and to continue trading in this condition would be unlawful.

Clearly Airsteril had, up to that point, wanted to challenge the validity of the patent and had indeed been attempting to do so; it was unable to take advantage of the final opportunity given to it by the court because it was overtaken by its insolvency.

24 Airsteril was not in receipt of specialist legal advice (which was a consideration in *Chiron*) and taking into account all these circumstances I am satisfied that it was prevented from litigating its case properly.

Wallenius Water AB and Biozone Scientific International OY v Brian Dewsbury and Airscience Technology International Limited (claim no. HC11C001668)

25 These proceedings were launched on 19 May 2011 and involved the parties to the present proceedings.

26 In parallel, Airscience had filed, on 16 March 2011, a request for revocation of the patent under s.72 of the Act before the comptroller.

27 A counterclaim for invalidity was never filed in relation to HC11C001668. It is the contention of Airscience that this was a deliberate decision, taken because they believed the claim for revocation would be dealt with in the Office and they wished to hold down costs.

28 What actually happened was that the Office proceedings were struck out in a decision dated 23 December 2011 on the grounds that on the day the claim was filed, the patent was the subject of infringement proceedings before the Court (in fact, claim no. HC10C00716). In his decision, the Hearing Officer expressed some sympathy with Airscience because its Director (Mr Dewsbery) believed, incorrectly, that, following the striking out of the defence and the expiry of the deadline for filing an amended defence in that case, the proceedings before the Court were “over” and he would be free to apply for revocation at the IPO.

29 Wallenius argue that with due diligence, Airscience ought to have appreciated that the matter of validity would not be decided before the IPO and should therefore have raised it in HC11C001668. They also point out that in a pre-hearing submission to the Court on 9 June 2011 Airscience indicated that it would be arguing invalidity of the patent on grounds of prior art and lack of novelty. It is argued that this amounts to invalidity being presented as a defence (albeit improperly).

30 I do not accept that this sequence of events can be said to have placed the question of validity before the Court. I have no reason to doubt that Mr Dewsbery believed that it would be decided in the Office and on that basis decided not to raise it in the Court proceedings. The passage referred to in the submission of 9 June is no more than an item of information; it is devoid of detail and does not in my view amount to a defence.

31 As regards whether Airscience should have been aware of the inevitable fate of the Office proceedings (and therefore raised the defence in HC11C001668), it is clear that Mr Dewsbery was at best ill-advised over his handling of HC10C00716 and the same considerations as rehearsed above apply here.

32 In both the above cases, Wallenius argues that the papers were before the Court at

the point when judgment was made, and the Court must have been satisfied with the validity of the patent. More particularly in the case of HC11C001668, the Court was referred by Wallenius to the allegations of invalidity and documents discussed in the earlier proceedings and invited to consider whether, notwithstanding the defendants' consent, it was appropriate to grant final judgment. However no substantive defence was in practice presented in either set of proceedings and although each judgment is final on the matter of infringement, it is my view that in neither case was the Court required to decide on validity, and, in the event, it did not do so in either of them.

Abuse of process

- 33 I turn now to the argument that the present proceedings amount to an abuse of process. As I remarked above, the imperative is to avoid re-litigation and to ensure that all relevant matters are advanced by the parties at an early stage. However the principle must be applied consistently with the interests of justice (in this case, specifically in accordance with the overriding objective). In view of my findings that there are justifiable reasons why invalidity was not or could not have been raised in the earlier proceedings, I do not think that there is any question of abuse of process.

Justice and the overriding objective

- 34 I believe that the above considerations point to the conclusion that Airscience should be allowed to continue with the claim. However, as this matter requires the exercise of discretion, I should confirm that this is consistent with the overriding objective of dealing with the case justly.
- 35 Mr Dewsbery and his companies have attempted in the course of three separate sets of proceedings to argue that the patent is invalid, but have not so far succeeded in reaching the point where the substantive arguments have had a hearing. This is partly due to poor or non-existent legal advice but also (as I have found) partly down to circumstances beyond their control.
- 36 For their part, Wallenius have been previously put in a position where they had to consider their response to arguments on validity. However they have not actually been obliged to defend their patent on substantive grounds in contested proceedings.
- 37 Stopping the proceedings now would obviously save expense for Wallenius, but I cannot see that going ahead would involve for them significant extra preparation over and above what they would have had to do in one of the earlier cases if there had been a full hearing. I therefore believe that the interests of fairness and justice between the parties favour allowing the present proceedings to continue.

A further factor, albeit not covered by the overriding objective, is the public interest in not maintaining on the Register a patent whose validity has been called into question without giving full consideration to the arguments. This is reflected in the practice, which has been approved by the Court⁷, for the comptroller to review revocation

⁷ R v Comptroller-General of Patents, ex parte Ash & Lacey Building Products Ltd [2002] RPC 46. See also the discussion of this point in paragraph 72.26-72.34 of the Manual of Patent Practice.

actions commenced before the Office and from which the claimant has withdrawn, with a view to continuing them if it is considered that a strong case is made out. This consideration also, therefore, weighs in favour of continuing with the action.

Conclusions and order

- 38 For the above reasons I reject the request that Airscience should be prevented from continuing with the claim either through estoppel or because it is an abuse of process.
- 39 The stay ordered in my decision dated 16 April 2013 is lifted and the proceedings should now continue with a view to arranging a hearing on the substantive question.

Costs

- 40 I have received no submissions on costs at this stage and therefore defer the question until completion of the substantive proceedings.

Appeal

- 41 Any appeal must be lodged within 28 days.

A C Howard

Divisional Director acting for the Comptroller