Intellectual Property Office

BL O/431/16

9th September 2016

PATENTS ACT 1977

PROCEEDINGS

References under Section 37 of the Patents Act 1977
concerning entitlement to UK Patent No. GB2523591B and
Section 12 concerning PCT/GB 2015/050538 & PCT/GB 2015 050539

BETWEEN

NGPOD Global Ltd	Claimant
and	
Aspirate N Go Ltd	Defendant

HEARING OFFICER Stephen Probert

For the claimant: Bruce Jones of Hill Dickinson LLP
For the defendant: James Abrahams QC, instructed by Bird & Bird

Hearing date: 12 July 2016

DECISION

Introduction

1. These consolidated proceedings are concerned with entitlement to a granted UK patent, GB2523591B, and two pending international patent applications, PCT/GB 2015/050538 and PCT/GB 2015 050539. In the remainder of this decision I will refer to them collectively as 'the patents', even though two of them are currently applications for patents.

2. The invention which is the subject of the patents concerns a device for drawing fluids from within a body cavity (eg. the stomach of a person who is being, or is about to be, fed through a tube). At various times, Mr George Gallagher (the inventor) has been a director of a company called Westco Medical Limited ("Westco"), and also the sole director and CEO of what I shall call his own company, Gallagher Medical Devices Limited.

3. Westco entered administration in April 2014. The following month, a company called Syripump Limited bought all the intellectual property owned by Westco from the administrators. Later that year, Syripump Limited changed its name to NGPOD Global Limited ("NGPOD"). NGPOD is the claimant in these proceedings.

4. The proceedings were joined on 21 April 2016 when the registered proprietor of the three rights, Aspirate N Go Ltd ("ANG"), filed a counter-statement and became the defendant in these proceedings. At the same time, the defendant requested that the Comptroller exercise his discretion under sections 12(2) and 37(8) of the Act to decline to deal with the references so that they may be heard by the High Court. In a letter accompanying the counter-statement, the defendant provided several reasons in support of its 'decline-to-deal' request.

5. The claimant, NGPOD, equally strongly resists the defendant's request, and consequently the matter came before me at a hearing held on 12 July 2016. Having heard well-reasoned arguments on behalf of both parties, I have reached the conclusion that on this occasion it is not appropriate for the Comptroller to exercise his discretion to decline to deal with these references. I set out below a summary of the parties' arguments, and the reasons that led me to this conclusion. But first, the relevant legal principles.

The Law

6. There are two subsections of the Act that apply in this case, section 37(8) in relation to the granted UK patent, and section 12(2) in relation to the international applications. They read as follows:-

> 37(8) If it appears to the comptroller on a reference under this section that the question referred to him would more properly be determined by the court, he may decline to deal with it and, without prejudice to the court's jurisdiction to determine any such question and make a declaration, or any declaratory jurisdiction of the court in Scotland, the court shall have jurisdiction to do so.
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> 12(2) If it appears to the comptroller on a reference of a question under this section that the question involves matters which would more properly be determined by the court, he may decline to deal with it and, without prejudice to the court's jurisdiction to determine any such question and make a declaration, or any declaratory jurisdiction of the court in Scotland, the court shall have jurisdiction to do so.

7. Although the wording of these subsections differs slightly, as noted by Warren J in *Luxim v Ceravision*,[1] I was not addressed on the differences, and nothing in this decision rests upon them.

8. Paragraph 19 of Warren J's judgment in *Luxim* explains how the Comptroller should decide whether or not to exercise his discretion in declining to deal:-

> 19. …. Mr Thorley submits that the Hearing officer applied the wrong test to section 37. The Hearing officer did not need to be able to say <u>with certainty</u> that the question would more properly be heard by the court: it only needed to appear to him that that was so. Further, it is not necessary to show that the Comptroller is incapable of resolving the issues; the question is whether the question would more properly be determined by the court. I agree with those submissions. It seems to me that, to adopt the language of the standard of proof, certainty requires something like "beyond all reasonable doubt" whereas appearance requires only something more akin to "a balance of probabilities". Further, it is clear that the test is not that the Comptroller is unable to determine the issue; it is whether the court can more properly do so. Compare the position of different levels of the judiciary: a Master of the Chancery Division may be perfectly capable of deciding a large and difficult commercial dispute

[1] Luxim Corporation v Ceravision Limited [2007] EWHC 1624 (Ch)

> in the sense that he could do so fairly and competently. But in our hierarchical system, large and complex cases of great value are assigned to High Court judges. It can be said that the case is more properly to be determined by the High Court judge without saying that the Master could not do so. So too with the Comptroller; it is not a criticism of his ability if it is said that a case ought more properly to be dealt with by a judge.

9. So when considering the arguments presented to me, I was looking to see whether the issues in these consolidated cases would more properly be determined by the High Court. I understood that this might be the case, even if the Comptroller could perfectly well deal with them.

The Arguments

10. Mr Abrahams QC set out ANG's position under four headings, and Mr Jones responded on behalf of NGPOD using the same four headings. They were:-

    i) The importance of the patents to the defendant

    ii) The nature of the issues in dispute

    iii) Procedural complexity

    iv) The different costs regimes

Importance of the patents

11. Mr Abrahams explained that the defendant has secured investment of £3.2 million, from over sixty (60) private investors, based on the patents. If the defendant loses the patents, and particularly if it loses them to a competitor, then according to Mr Abrahams, that would be the end of their business.

12. He also argued that the claimant has made several allegations of fraud in its statement of grounds - eg. at paragraph 8 where the claimant says:-

> "Notwithstanding the <u>obfuscation</u> within the description of the contested application as to its principal use, …" (My emphasis)

13. Other passages in the statement of grounds identified by Mr Abrahams as making serious allegations of fraud are found in paragraphs 14-17 and 18a & 18b (where the claimant refers to several changes of company name, and a 'purported' assignment).

14. Lastly under this heading, Mr Abrahams drew my attention to an allegation of breach of fiduciary duty in paragraphs 10, 11 and 18c of the claimant's statement, where it is claimed that Mr Gallagher, as a director and chief executive of Westco had, at the time of making the invention, a special obligation to further the interests of Westco.

15. Mr Jones, for the claimant, did not accept the defendant's valuation of the importance of the proceedings. In particular, he asked what was at stake? He pointed out that the defendant is yet to publish any accounts, and does not yet have a website advertising a product which is the subject of the patents. Mr Jones went further and said that the defendant does not actually have a product ready to sell. There is, he said, no commercial activity.

16. Regarding the 'alleged' allegation of fraud in paragraph 8 of his statement of grounds, Mr Jones did not accept that this amounted to an allegation of fraud as there was no *mens rea* - ie. no suggestion that the applicant intended to confuse the reader as to the principal use of the device described in the application.

17. But Mr Jones reserved his most scathing criticism for Mr Abrahams' third point under this heading - ie. whether or not the statement of grounds makes an accusation of breach of fiduciary duty. More specifically, he described it as:-

> "An allegation which is nowhere asserted, before a tribunal which is not competent to adjudicate on the matter, in connection with a person who is not a party to the proceedings."

18. Reviewing the arguments under this heading, I did not consider that there was enough here to persuade me that the issues in these proceedings would more properly be determined by the High Court. Most people who file patent applications consider that they are of significant importance - if it were otherwise, they wouldn't spend time and money filing them in the first place.

19. In relation to the issues of fraud and breach of fiduciary duty, the basis of these supposed allegations is, in my experience, common fare in entitlement proceedings before the comptroller. They certainly do not convince me that the issues in this case would more properly be determined by the High Court.

Nature of the issues in dispute

20. Mr Abrahams raised two principal arguments under this heading. Firstly, that there are a large number of factual issues in dispute between the parties, many of which are complex in nature, and some of which date back to 2007. And secondly that there are many non-patent law issues in the case.

21. Taking the arguments in that order, the defendant's skeleton argument lists the following factual issues that will need to be determined [2]:-

    i) Mr Gallagher's normal working duties at Westco;

    ii) the circumstances of Mr Gallagher's creation of the ANG device and a second ANG device;

    iii) the disclosure of the ANG device to Westco and the proposal to licence the ANG device to Westco;

    iv) the treatment of intellectual property rights when Westco entered administration;

    v) the disclosure of the ANG device to the administrators and the duties of the administrators during the Westco administration process;

    vi) the assignment of intellectual property rights from GMD to ANG; and

    vii) the development of the second ANG device.

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[2] The list is copied from the defendant's skeleton, and is cast in the defendant's terms.

22. Mr Abrahams says that these issues of fact go beyond what the Comptroller is used to dealing with. I think it is possible that the defendant overestimates the complexity of these issues, but even if the above list is a fair summary of the factual issues that will need to be decided, I don't think it would be unusual in inter partes proceedings before the Comptroller. More importantly, there is nothing here that makes me think that the case would more properly be determined by the High Court.

23. Turning to the non-patent law issues, Mr Abrahams says that this case will require excursions into the law of estoppel, employment law, contract law, company law and insolvency law. He says that such matters are bread and butter to a judge in the High Court, but rare in proceedings before the Comptroller. Mr Jones says that the defendant is unnecessarily complicating what is, at its heart, a straightforward matter of company law that was stated far more simply in the counter-statement than it has been set out in the skeleton.

24. I thought this was Mr Abrahams' strongest argument, but ultimately it also failed to persuade me. Non-patent law issues, including those indicated by Mr Abrahams, arise from time to time in patent and trade mark proceedings, but they do not of themselves cause the Comptroller to decline to deal (or, as Registrar of trade marks, to refer an application to the court). In this particular case, I consider that any non-patent law issues that are likely to arise should involve no more than brief excursions into well trodden byways. Consequently I do not accept that the non-patent law issues are such as to make this case one that would more properly be determined by the High Court.

Procedural complexity

25. Mr Abrahams then impressed upon me the procedural complexity of these proceedings. For example, he anticipated that at least nine (9) witnesses will be called, many of whom will need to be cross-examined. He also says that these witnesses will need to give evidence regarding events that took place a long time ago - eg. 2007. He says that a High Court judge would be more familiar with cases having so many witnesses, and with such a lapse of time since some of the relevant events occurred.

26. Mr Abrahams also suggested that there will need to be disclosure, including third party disclosure, and that the substantive hearing in these proceedings is likely to last for four to five days. Regarding disclosure, Mr Abrahams submitted that although the Comptroller has the power to order third party disclosure (and third party witnesses), he never uses it.

27. Mr Jones complained that Mr Abrahams was employing a circular argument, which could be expressed in this way:-

> "The case is procedurally complex because third parties will be required to give disclosure; and third parties will be required to give disclosure because the issues to be decided are complex." [3]

28. Mr Jones took me through the list of witnesses and whittled it down significantly. For example, he said that there would be no need for a third party to provide disclosure

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[3] I believe this is what Mr Jones meant to say, even if he did not express it in exactly this way.

of the Westco company documents as Mr Gallagher has access to them. He also identified other so-called 'third party' witnesses that he says are willing to give evidence - by which I understood that they could well be giving evidence for the claimant anyway.

29. Mr Jones also dismissed the time lapse point, arguing that the key events all took place in 2012 or 2013. He suggested that the reference to 2007 was a further example of the defendant overreaching in an attempt to establish a case based on complex factual issues.

30. I was left with the impression that this case will be as long and as complex as the Hearing Officer allows it to be. Moreover it seems to me that in the end, the successful party is usually the one that succeeds in making the issues look simplest and most straightforward.

31. In any event, I did not find that the procedural complexity of the issues in this case were such that they would more properly be determined by the High Court.

Different costs regimes

32. Mr Abrahams said that from the defendant's point of view, it is unfair that the claimant can 'take a punt' on these proceedings, which as far as the defendant is concerned are completely without merit; and they can spend as much or as little as they like, with virtually no exposure to paying the defendant's costs if they lose.

33. The defendant on the other hand, has no choice according to Mr Abrahams. They have to spend whatever it takes to defend these proceedings because they pose an existential threat to the defendant.

34. Although the claimant is a small company, Mr Abrahams reminded me that it is a wholly-owned subsidiary of a much more wealthy group of companies. He says that the claimant (or more likely its parent company) can easily afford the additional expense of running this case before the High Court. That may be so, but I do not accept that it follows that they should be made to bear the increased expense of a High Court action. The claimant takes the view that the patents are worth significantly less than the defendant's estimate. Mr Jones reminded me of the overriding objective (rule 74) and in particular rule 74(2)(b) "*saving expense*", and rule 74(2)(c)(i) "*dealing with the case in ways which are proportionate to the amount of money involved*,". Mr Jones says that the claimant is seeking to deal with this case in a way which is proportionate to their estimate of the value of the patents at stake. The claimant maintains that keeping the proceedings before the Comptroller would ensure that the parties are, as far as possible, on an equal footing.

35. On the basis of the facts that have been pleaded and/or established so far in this case, and also having regard to the overriding objective, it seemed to me that the claimant is fully justified in wanting to keep these proceedings before the Comptroller.

36. Finally, Mr Abrahams submitted that the importance of the outcome of these proceedings to the parties suggests that the unsuccessful party will appeal any decision of the Comptroller. As such, he says that this case will inevitably end up

being heard by the High Court. By declining to deal with the matter now, Mr Abrahams says that the Comptroller could reduce one tier of costs.

37. Mr Jones accepted that the defendant, if it loses, may appeal to the High Court. But he countered that the claimant would by then have a better idea of the nature of the parties' cases, and if the claimant were then to elect to respond fully to such an appeal, it would do so in the light of that knowledge. The corollary, says Mr Jones, is that the claimant would be disadvantaged by moving this matter to the High Court as a forum of first instance.

38. I concluded that if the Comptroller declined to deal with a case because of the likelihood of an appeal, he would be disregarding (or undervaluing) the jurisdiction that Parliament has conferred upon him in the Patents Act.

Summary

39. Taking each of Mr Abraham's points in turn, under the four headings, I found that none of them (individually) caused me to believe that the issues in these proceedings would more properly be determined by the High Court. Considering all of them together clearly makes a stronger case for declining to deal; but even so it is not strong enough to outweigh the arguments for keeping these proceedings before the Comptroller - especially those arguments based on the overriding objective.

40. For the reasons given above, the Comptroller does not decline to deal with these references.

Appeal

41. Any appeal must be lodged within 28 days after the date of this decision.

Stephen Probert
Deputy Director, acting for the Comptroller