



BL O/309/05

25 November
2005

PATENTS ACT 1977

BETWEEN

Eveline Wesby-Van Swaay

Claimant

and

Actineon Inc

Defendant

PROCEEDINGS

Reference under section 12 in respect of patent applications EP 01945162.4 (EP 1290860) and PCT/EP 01/05738 (WO 01/91428)

HEARING OFFICER

D J Barford

PRELIMINARY DECISION

1. This decision addresses the question as to whether or not the comptroller should decline to deal with this reference.

Background

2. International patent application number PCT/EP 01/05738 was filed on 18 May 2001, claiming priority from Finnish application FI 20001239 filed on 23 May 2000, and naming Dr Eveline Wesby-Van Swaay as applicant and inventor. The PCT application was published as WO 01/91428 on 29 November 2001 under the title "Programmable Communicator" and entered the regional phase as EP 01945162.4 (publication number EP 1290860) on 23 December 2002.

3. These proceedings were effectively launched before the comptroller by Dr Wesby-Van Swaay on 20 May 2004, although documents received before that date on 2 March 2004 and 11 May 2004 constitute her statement of case.

4. Dr Wesby-Van Swaay's case can be summarised as follows. She is a Dutch national, a paediatrician by profession, and was living in Finland at the time that she invented the device to which the patent applications in suit ("the applications") relate. She currently lives in the United Kingdom. Her husband, Mr Philip Wesby, who was working for Nokia at the time, helped her to draft the applications. In 2001, the couple agreed with others to set up a company initially called SmartLink and then renamed as Actineon Inc ("Actineon"), the defendant in these proceedings. Actineon was eventually set up on 1 May 2002 with a board of directors which included Mr Wesby, who remains a director. Prior to that, on 1 November 2001, Dr Wesby-Van Swaay assigned the applications, under duress, to Actineon. The assignment was made with a view to attracting investment to the company and on the understanding that she would be paid retrospectively from such investment. However in the event, Actineon closed at the end of April 2004 for lack of financing. Dr Wesby-Van Swaay states that she has received no payment and seeks an order under section 12 reinstating her rights.

5. In a counterstatement dated 3 August 2004, Actineon states, amongst other things, that the company was incorporated on 11 September 2000 in California in the United States, that it is still active and continues to conduct business in California, and that it will pay money due to Dr Wesby-Van Swaay once investment has reached the agreed level. It denies that Dr Wesby-Van Swaay was put under duress to sign the assignment and states that the assignment was in fact made after the company was founded.

6. Also in its counterstatement Actineon submits that since it has no business presence in the United Kingdom it is not subject to the comptroller's jurisdiction and submits that the matter should be referred to the court.

7. Correspondence followed between the Office and the parties on the matter of the comptroller's jurisdiction and the discretion the comptroller has under section 12(2) to decline to deal with a reference. Dr Wesby-Van Swaay stated that she did not wish the comptroller to decline to deal, and submitted that Actineon does have business interests in the United Kingdom in the form of a wholly owned subsidiary called Qosine. Actineon strongly maintained its position that these proceedings should not continue before the comptroller.

8. Events then took a different turn. In January 2005, Dr Wesby-Van Swaay requested a stay in proceedings since it appeared that the parties were about to reach a settlement, and in February she reported that negotiations were continuing. However on 29 April 2005 she asked for proceedings to be resumed since no agreement had been reached. Dr Wesby-Van Swaay subsequently submitted further arguments on the decline to deal issue and requested that the matter be settled on the papers; a course of action which Actineon has not opposed.

9. It is the issues of jurisdiction and the comptroller's discretion to decline to deal then that I address in this preliminary decision.

The law

10. Section 12 deals with the determination of questions about entitlement to foreign and convention patents etc. The relevant parts of section 12 read:

Section 12

(1) At any time before a patent is granted for an invention in pursuance of an application made under the law of any country other than the United Kingdom or under any treaty or international convention (whether or not that application has been made)-

(a) any person may refer to the comptroller the question whether he is entitled to be granted (alone or with any other persons) any such patent for that invention or has or would have any right in or under any such patent or an application for such a patent; or

(b) ..

and the comptroller shall determine the question so far as he is able to and may make such order as he thinks fit to give effect to the determination.

(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.

(3) Subsection (1) above, in its application to a European patent and an application for any such patent, shall have effect subject to section 82 below

11. Subsection 12(3) refers to section 82 in respect of European patents. The relevant parts of section 82 read:

Section 82

(1) ..

(2) Section 12 above shall not confer jurisdiction on the comptroller to determine a question to which this section applies except in accordance with the following provisions of this section..

(3) This section applies to a question arising before the grant of a European patent whether a person has a right to be granted a European patent, or a share in any such patent ..

(4) The court and the comptroller shall have jurisdiction to determine any question to which this section applies, other than an employer-employee question, if either of the following conditions is satisfied, that is to say -

(a) the applicant has his residence or principal place of business in the United Kingdom; or

(b) the other party claims that the patent should be granted to him and he has his residence or principal place of business in the United Kingdom

and the applicant does not have his residence or principal place of business in any of the relevant contracting states;

and also if in either of those cases there is no written evidence that the parties have agreed to submit to the jurisdiction of the competent authority of a relevant contracting state other than the United Kingdom.

(5) ..

(6) ..

(7) ..

(8) *References in this section to the determination of a question include .. references to-*

(a) ..

(b) *the making of an order under section 12 above in relation to that question (in the case of the court or the comptroller).*

(9) ..

Submissions

12. In its counterstatement, Actineon states that it was incorporated in California, and submits that since it has no business presence in the United Kingdom it is not subject to the comptroller's jurisdiction. It goes on to submit that since "this matter involves legal issues related to the formation of a contract, consent freely given, the adequacy of consideration supporting a contract, the ongoing effect of an executory contract and the seeking of a declaratory remedy .. these issues are more appropriately adjudicated before a Common Law Court of General Jurisdiction, having jurisdiction over the parties and the subject matter, subject to the formal Rules of Evidence."

13. In subsequent correspondence, Actineon submits that a court is better equipped "to adjudicate the complex issues of fact and law relating to the mutual obligations of assignor and assignee under a voluntary assignment of a right ... governed by the common law of contract". Actineon submits that courts have been charged with interpreting rights under assignments, the relationship between the parties, the conditions under which an assignment can be set aside and whether an assignment can be enforced, and in support cites the following authorities: *Campbell Connelly & Co Ltd v Noble* [1963] 1 All ER 237; *Compania Colombiana de Seguros v Pacific Steam Navigation Co* [1965] 1 QB 101, [1964] 1 All ER 216; and *MacMillan Inc v Bishopgate Investment Trust plc and others (No 3)* [1995] 3 All ER 747, [1995] 1 WLR 978, and [1996] All ER 585, [1996] 1 WLR 387. Actineon also cites *Campbell Connelly* and *MacMillan* in support of a further submission that "the weight of English jurisprudence suggests that courts have properly adjudicated disputes in proprietary rights cases where their jurisdiction is clear over the parties and the subject matter of the dispute".

14. Actineon goes on to assert that “if the comptroller exercises jurisdiction in this matter it will have exceeded its statutory authority and could commit an error of law in reaching a decision due to the complex issues of fact and law involved”; and points out that the comptroller’s decision may be appealed and that the decision making process is open to judicial review.

15. On a more general point, Actineon argues that handling this dispute in court would avoid multiple hearings, save significant time and legal fees, and avoid the costly process of appeal and review.

16. In response Dr Wesby-Van Swaay maintains that the comptroller has jurisdiction under the 1977 Act and argues that both sides have invested a great deal of time and money on these proceedings before the comptroller. She states that she does not want the matter to be handled by the court since, as a Dutch citizen, she is unfamiliar with court procedure in the United Kingdom and as a private citizen in dispute with a corporation she would incur a great deal of time and expense. She points out that the most common reason for the comptroller’s declining to deal as described in the Patents Hearings Manual at paragraph 2.81 is that “there are parallel High Court proceedings covering much the same issues” - which is clearly not the case here.

Conclusions

17. The authorities cited by Actineon and noted above, all relate to complex disputes over property rights involving the law of more than one jurisdiction - that of the United Kingdom and the United States at least. *Campbell Connelly* concerns the assignment of certain copyrights made under an English contract and the question of whether the assignment carried the benefit of a renewal period in the United States. In *Compania Colombiana de Seguros*, goods were damaged during shipment between England and Colombia, and rights of action against the ship owner were assigned to an insurer who brought actions initially in New York and then in England. *MacMillan* concerns a question as to whether English or New York law was the appropriate law for determining the issue of priority of ownership in certain shares.

18. I find no assistance from any of these authorities however. There is no dispute in the present case as to whether or not the court has jurisdiction and is an appropriate forum to try such issues. The question before me is does the comptroller also have such jurisdiction and, even if he does, does this particular case involve matters which would more properly be determined by the court.

19. I turn then to the question of jurisdiction. Actineon argues that since it has no business presence in the United Kingdom it is not subject to the comptroller’s jurisdiction. However section 12 places no restriction at all as to the place of business, or residence or indeed any other factor associated with any defendant in such proceedings. Indeed section 12 is very wide in ambit, in that it concerns rights in or under any “application made under the law of any country other than the United Kingdom or under any treaty or international convention”, provides for questions concerning such rights to be referred to the comptroller by “any

person”, and gives the comptroller power to “determine the question so far as he is able “ and to “make such order as he thinks fit to give effect to the determination”.

20. Under section 12(3) however, the application of this jurisdiction to European patent applications is subject to section 82. This sets as a requirement for jurisdiction - of the court and of the comptroller - that either of the conditions set out in section 82(4) must be satisfied. The first of these conditions is that the applicant (ie the patent applicant) “has his residence or principal place of business in the United Kingdom”. Dr Wesby-Van Swaay currently lives in the United Kingdom and hence that condition is met and the jurisdiction confirmed.

21. It seems to me in the light of the above that the jurisdiction conferred on the comptroller is clear and unambiguous, and includes squarely within its ambit the subject of the present dispute, namely the question of rights in the patent applications in suit which were made under the Patent Co-operation Treaty and the European Patent Convention. Clearly any other foreign etc application derived from the application made under the Patent Co-operation Treaty, will also fall within the terms of section 12(1).

22. Actineon’s second point is that this dispute concerns complex matters of fact and law that a court is better equipped to deal with, to the extent that “if the comptroller exercises jurisdiction in this matter it will have exceeded its statutory authority and could commit an error of law”. In other words, even if the comptroller does have jurisdiction, he should decline to deal with the case.

23. The issue of complexity is an important one, and relevant to it is the decision in *Aline Holmes v Gordon Baldwin* BL O/187/97 to which the parties attention was drawn in October 2004. Here a reference under section 37(1) was made concerning rights in a granted patent. The decision relates to the preliminary matter of a request by the defendant for the comptroller to decline to deal with the reference under section 37(8). The defendant argued that the case differed from the norm in that cross-examination of numerous witnesses would be necessary, and that issues of forgery, deception and perjury might need to be resolved. The claimant argued that it would be more appropriate for the comptroller to deal with the action because of his considerable experience in dealing with entitlement actions. The hearing officer noted that there had been a history of litigation between the parties - including actions before the High Court - and accepted that a judge would have greater experience in evaluating oral evidence, but concluded that for the comptroller to decline to deal with a case merely for this reason would seem to be an abdication of the responsibilities settled on him by parliament in enacting section 37(1). He also noted that the intention of proceedings before the comptroller is to provide a lower cost alternative to the court.

24. There are obvious parallels between *Aline Holmes v Gordon Baldwin* and the present case. Although in *Holmes* the reference relates to a granted patent and was therefore made under section 37, the provisions of sections 12(2) and 37(8) on the comptroller’s discretion to decline to deal are effectively the same. Here there are no weighty issues of forgery, deception and perjury to resolve, but there are issues of property rights and there may be implications arising from the fact that one of the parties is based outside the United Kingdom. However it is far from uncommon for such issues to be argued before the

comptroller - given that section 12 embraces “any right” in or under any patent application “made under the law of any country other than the United Kingdom ..”

25. There are clearly circumstances where it is right for the comptroller to exercise his discretion to decline to deal - notably when the request is supported by both parties; and as pointed out by Dr Wesby-Van Swaay, the most common reason for the comptroller’s declining to deal is where there are corresponding High Court proceedings. Otherwise it seems to me, this discretion should be exercised with great caution, given the powers that parliament has given to the comptroller. It may well be that a judge has greater experience of resolving the issues in dispute but that, it seems to me, cannot be a deciding factor. I think it also material that proceedings before the comptroller are intended to enable parties to litigate disputes before a relatively informal - but nevertheless authoritative - tribunal, with any costs that the tribunal might award being to a large extent predictable.

26. Actineon also points out - correctly - that the comptroller’s decisions may be appealed or open to judicial review. This point only has relevance, as far as I can see, when taken in conjunction with its view that handling this dispute in court would avoid multiple hearings, save significant time and legal fees, and avoid the costly process of appeal and review. However this argument could be run in any decline to deal dispute, in that a party could always argue that appealing a decision from the comptroller will involve more stages than going to the High Court in the first place. To my mind this is no more than a truism and in consequence can carry no weight. By contrast, Dr Wesby-Van Swaay’s argument that court proceedings would cost her significant amounts of time and expense seems to go to the heart of the matter.

27. That said, in the event of a dispute over whether or not the comptroller should decline to deal with a reference, the relative informality of proceedings and predictability of costs before the comptroller cannot be an overriding reason in favour of choosing that forum, any more than the expertise of the court and the fact that the comptroller’s decisions are appealable can be overriding factors against. It is necessary to strike a balance in the context of the particular circumstances of the case. Here it seems to me that the fact that the issues in question - although complex - are not foreign to proceedings before the comptroller, and the fact that the claimant is a private litigant to whom the question of costs is a significant issue, shifts the balance clearly towards the conclusion that it would not be right to decline to deal.

28. Therefore, having carefully considered all of the submissions before me and, for the reasons that I have given above, I conclude firstly that the comptroller has the necessary jurisdiction to deal with this reference, and secondly that it would not be appropriate in the circumstances to decline to deal with it under section 12(2). Accordingly I make no order to that effect.

Next steps

29. Procedure under section 12(1)(a) is governed by rule 7, under which - the statement and counterstatement having been filed - the evidence rounds begin. In particular, under rule 7(4) the claimant, Dr Wesby-Van Swaay, may now file evidence in support of her case. Any such evidence should be filed within six weeks of this decision. If an appeal is lodged, the

evidence rounds will be automatically suspended pending the outcome of the appeal.

Costs

30. Neither side has asked for costs in respect of this preliminary issue and so I make no order.

Appeal

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

DAVID BARFORD

Deputy Director acting for the Comptroller