

O-209-19

REGISTERED DESIGNS ACT 1949 (AS AMENDED)

**IN THE MATTER of Registered Design No. 4033752 in the Name of
Truscott Terrace Holdings LLC**

and

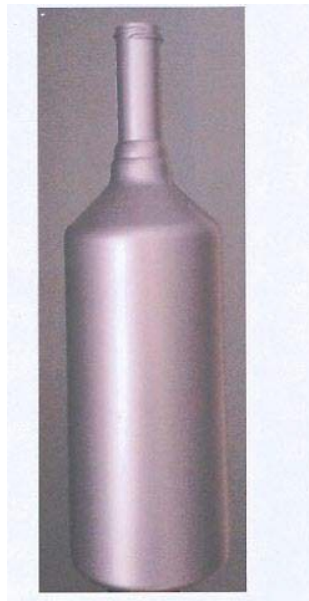
**APPLICATION TO INVALIDATE (No. 7/16) by System Products UK
Limited**

DECISION

1. This is an appeal from decision O-544-17 dated 27 October 2017 by the Hearing Officer (Mrs Judi Pike) acting for the Registrar of Designs. She rejected an attack of lack of novelty against registered design No. 4033752, holding that the applicant for cancellation (the Appellant on this appeal) was estopped as a result of previous proceedings from bringing that attack.
2. In Interim Decision O-391-18, I refused a request by the Appellant to refer this appeal to the High Court. This is the substantive decision disposing of the appeal.
3. The Appellant was represented on this appeal by Ms Charlotte Blythe of counsel, instructed by Brabners LLP. Mr Gordon Gannon, a member of the Respondent, represented the Respondent and participated in the two hearings of this appeal by telephone from Massachusetts.

Proceedings in the Registry and the decision under appeal

- Registered design No 4033752 was filed by Truscott Terrace Holdings LLC (the registered proprietor and now the Respondent on this appeal) on 15 January 2014. The design (for a bottle whose primary use is apparently for fuel tank applications) is depicted in the following main representation:



- On 12 February 2014, Cataclean Global Ltd (“CGL”) filed an application to invalidate the registered design on the ground of lack of novelty over a prior art bottle known as the ‘Austin Round’. On 9 April 2015, the hearing officer (Ms Al Skilton) issued decision No. O-155-15 which rejected that attack and an attack of lack of individual character based on the same prior art. CGL filed an appeal to the High Court which was dismissed by order Henry Carr J on 29 November 2016.
- I will loosely refer to the present Appellant, System Products UK Limited, as a sister company of CGL. I will explain the precise relationship between the two companies later.

7. On 29 February 2016, the Appellant filed an application to invalidate the registered design under section 11ZA(2) of the Registered Designs Act 1949 as amended ("the Act"), on the basis that Truscott was not the true proprietor of the design and the Appellant as true proprietor was objecting under that subsection. The application also contained a rather unusual alternative plea that the design lacked novelty *"in the light of such evidence as may come to light during the course of these proceedings."*
8. The Registry informed the Appellant in an official letter on 19 April 2016 that the Registry did not consider as things stood that lack of novelty was a pleaded ground of invalidity, but that the Appellant could apply to have it added if it saw fit during the evidence stages.
9. On 11 October 2016, the Appellant filed an amended statement of case to add an unequivocal lack of novelty plea under s.11ZA(1A)(b)(i) of the Act. The hearing officer's decision recounts a number of difficulties and disputes which arose as to whether, or when, the amended statement of case was properly communicated to Mr Gannon of the Respondent, and as to whether or not the correct email address was used.
10. Ultimately, the Appellant was directed to file a clean copy of its amended statement of case which was received by the Registry on 15 May 2017. That alleged that bottles having precisely the same shape as the registered design were on sale in the United Kingdom via amazon.com from at least 5 October 2011 onwards.
11. On 7 June 2017, the Registry wrote to the parties to inform them that the evidence rounds had concluded and that the case was ready for a decision. The parties were given a choice to have a decision made from

the papers or after a hearing, or to file submissions in lieu of a hearing. The Registry letter also informed the parties that the novelty claim would be decided first and the proprietorship dispute would be postponed.

12. The parties opted to dispense with a hearing and to file submissions in lieu. The Appellant's written submissions dealt with the allegation of lack of novelty. The Respondent's written submissions argued that the alleged disclosure of the registered design was made in breach of the confidentiality provisions of a licence agreement between the Appellant and Cataclean Americas LLC, a New York corporation. But the main thrust of those written submissions was to rely on the Registry's previous decision O-155-15 which had upheld the validity of the design, and to argue that the Appellant was *"but another alter ego for Ross Baigent and for [Cataclean] and should be precluded from rearguing settled issues."*
13. By contrast, the Appellant's written submissions did not anticipate or deal with any argument that the previous Registry decision precluded a finding of invalidity in the current application. The Hearing Officer found herself in the unfortunate position of dealing with a potentially complex argument which in substance raised estoppel or related arguments, on the basis of submissions from one side only. Further, the Respondent's submissions did not identify or deal with any relevant case law, which one would expect to have been the case if those submissions had been prepared by counsel or a solicitor or attorney. (This is not a criticism of Mr Gordon Gannon, who self-represented the Respondent in the Registry as well as on this appeal).

14. The Hearing Officer's written decision summarised the evidence relevant to the lack of novelty attack, and went on to find that bottles effectively identical to the registered design had been advertised by Cataclean on amazon.com on 5 October 2011, and also by various third parties at different dates more than one year before the filing date. The evidence proving these amazon.com sales were screen prints exhibited by Mr Ross Baigent from the so-called "Wayback Machine" at www.archive.org.
15. The Hearing Officer drew support for her reliance on images from the Wayback Machine from *National Guild of Removers & Storers v. Silveria* [2011] FSR 9, where HHJ Birss (as he then was) observed at [33] that "*The Wayback Machine is commonly used in intellectual property cases to see what old websites looked like even when the operators of the websites have changed them or removed them altogether.*"
16. She went on to reject the Respondent's attempted reliance on section 1B(6) of the Act (disclosure which could not have reasonably become known to persons carrying on business in the European Economic Area in the sector concerned), and also its reliance on alleged breach of confidence since she held that the registered proprietor had itself disclosed the design as early as 15 January 2011.
17. There is no appeal from, or respondent's notice in relation to, that aspect of the decision. Accordingly, subject to the estoppel point, the registered design is invalid for lack of novelty.
18. The Hearing Officer then went on to deal with the preclusion argument raised in the Respondent's written submissions, which she characterised as "estoppel" (although that exact word is not used in the submissions).

After quoting a passage from the Respondent's counterstatement to which I shall return later, she went on to quote paragraphs [17] to [26] of the judgment of Lord Sumption in *Virgin Atlantic Airways Ltd v. Zodiac Seats UK Ltd* [2013] UKSC 46; [2013] RPC 29, and then went on to hold:

"53. Although the applicant in the previous proceedings was Cataclean Global Limited and the applicant in the present proceedings is Systems Products UK Limited, as explained in paragraph 14 of this decision, these entities are sister companies and therefore 'privies'. The registered proprietor has not used the word estoppel, but that is the effect of its pleadings in the counterstatement, especially since, to start with, the application was ambiguous as to whether novelty was being put in issue. Estoppel is a defence, and it has been pleaded by the registered proprietor. Bearing in mind the words of the Supreme Court, I find that the applicant is estopped from bringing the novelty ground for a second time, relying on prior art which could have been relied upon in the first proceedings.

54. Therefore, despite my findings that the registered design had been disclosed in the UK and the USA prior to the relevant date, meaning it was not new at the time of the application in the UK to register the design, the applicant is estopped from bringing the novelty claim for a second time, which means that the novelty claim fails.

55. As explained earlier in this decision, the proceedings were separated. As the novelty claim has failed, it is necessary now to proceed with the proprietorship claim. I have considered whether it is an abuse of process for the applicant to bring this claim (for the first time), but have concluded that the applicant is not barred because the registered proprietor did not plead abuse of process as a defence in its counterstatement. Estoppel in all its forms is a defence which must be pleaded."

The appeal

19. Since it was an interim rather than final decision, a party dissatisfied with it could not appeal without permission from the Registry until after the conclusion of the proceedings, i.e. until after the proprietorship dispute had been resolved. However the Hearing Officer was prevailed upon to

grant permission to appeal against her finding on estoppel despite the formally interim nature of the decision.

20. The Appellant appealed to the Appointed Person on three grounds:-

- (1) Estoppel was not pleaded;
- (2) The hearing officer was wrong to hold that the amazon.com prior art could (and by implication should) have been relied on in the earlier proceedings; and
- (3) The hearing officer was wrong to hold that the Appellant and Cataclean were 'privies'.

Admission of additional evidence

21. The Appellant also sought permission in its notice of appeal (Form DF55) to rely on additional evidence on the appeal, in the shape of a second witness statement of Ross Baigent. This sought to explain why the amazon.com prior art had not been identified at the time of the first invalidity application, and also explained the relationship between the two 'sister companies.'

22. The appeal came on for hearing on 22 August 2018 and the first matter to be resolved was whether to admit the additional evidence of Mr Baigent into the appeal. After hearing the parties, I decided to admit this evidence, taking the view that the reason why the Appellant had not put forward such evidence in the Registry was because the Appellant had been surprised by the raising of the preclusion issue in the Respondent's written submissions.

23. Once I had admitted the evidence, Ms Blythe argued that I should proceed with the hearing since the Respondent had had an adequate opportunity to put in evidence in answer if it had wanted to do so, and because in any event it was unlikely that the Respondent would be able to respond effectively to matters largely within Mr Baigent's and the Appellant's own knowledge.
24. I rejected both submissions. A respondent to an appeal is not in normal circumstances required to spend time and effort responding to additional evidence on an appeal in advance of a decision by the appellate tribunal to take the exceptional course of admitting that additional evidence into the appeal. Nor can it be presumed in advance that a party is unable usefully to controvert the evidence of the other party. Refusing to give it the chance to do so without compelling reason would breach the rules of natural justice.
25. Accordingly I adjourned the hearing and gave directions for the service by the Respondent of evidence in answer and for a final round of evidence in reply (if so advised) by the Appellant. Each round of evidence was meant to be "strictly in reply" to the round before.
26. Prior to the resumed hearing I received a written request by the Appellant to strike out the Respondent's evidence either in whole or in part for alleged breach of my directions, in that it was said not to be confined to matters in reply to Mr Baigent's second witness statement. I considered it better to leave arguments about whether evidence was "in reply" to be dealt with at the hearing.

First appeal ground (“estoppel not pleaded”)

27. In its original counterstatement dated 27 May 2016 the Respondent alleged (in paragraph 10):

“... it is unclear whether in these proceedings the Claimant is even alleging as grounds for invalidity of the Registered Design, lack of novelty or individual character. Any such allegations, if such are indeed being made [by] the Claimant, are far too vague even to invite a response and thus are too embarrassing to form the basis of a pleading. Nevertheless, insofar as such an allegation is being raised by the Claimant that the Registered Design lacked novelty or individual character, such is denied by the Defendant. In this regard, the Defendant notes that the UK Intellectual Property Office has already determined - in invalidity proceedings brought by Cataclean Global Limited (Cataclean) and Ross Baigent a company and individual respectively associated with the Claimant ... in a decision dated April 9, 2015 (the Previous UKIPO Proceedings) - that the Registered Design had individual character over the prior art cited and is valid. An appeal of the UKIPO decision to the High Court was filed by Cataclean on May 21, 2015 ... which appeal, was dismissed by an Order of Mr. Justice Henry Carr dated November 26, 2015.”

28. The above passage was quoted by the hearing officer at paragraph 50 of her decision. In paragraph 53 (which I have quoted above), she held that this passage was sufficient to plead estoppel even though the word “estoppel” is not used. I agree with her that it is not essential that the word “estoppel” is used, so long as the pleading makes clear as a matter of substance that that is what is being raised.
29. Mr Gannon of the Respondent also sought at the appeal hearing to place reliance on a letter which he had emailed to the Registry shortly before the date of the counterstatement. That lengthy letter outlined a long history of disputes between Mr Baigent and his various companies and the Respondent and other related entities, identified inter alia the previous Registry decision rejecting the invalidity attack, and said:

“[The Respondent] respectfully asks the UKIPO to decisively refuse consideration of Baigent’s latest invalidation attempt as it has already properly ruled on the matter. Baigent should be denied multiple shots from his different guns, and in fact should be sanctioned for his furtherance of this nuisance. The strategy of constantly placing the Registration under attack rises to the level of a private nuisance where [the Respondent] is being caused substantial and unreasonable interference with its rights under the Registration. Baigent and his companies are indeed vexatious litigants and [the Respondent] respectfully requests that the UK IPO treat their application accordingly by denying it consideration.”

30. In my judgement that paragraph amounted in substance to a clear and unequivocal invocation of the doctrine of estoppel based on the previous Registry decision. It was within a letter rather than within a pleading, but if it had become known to the other side it might have assisted the Respondent’s position by having at least provided clarification or elaboration of the plea in the counterstatement.
31. However, at the resumed hearing of the appeal the Appellant’s representatives indicated that they had not previously seen this letter, which was exhibited to Mr Gannon’s witness statement served on the appeal. Following the hearing, I made inquiries of the Registry but they did not have a copy of this letter on file nor did records allow them to establish whether or not an email attaching that letter had been received, or if received whether it had been copied to the Appellant’s representatives.
32. However within the appeal file was a copy of an outgoing letter dated 20 May 2016 to Mr Gannon from the Tribunal caseworker which acknowledged receipt of an e-mail “*which enclosed information in support of your registered design in connection with the above proceedings.*” From the

dates I infer that that email attached Mr Gannon's letter with its exhibits.

The Registry letter of acknowledgement goes on to say:

"Whilst the information you have provided is noted, in order for it to be accepted as "evidence" in these proceedings, it should be presented in the form of a properly completed Witness Statement, Statutory Declaration or Affidavit, together with relevant exhibits, which should be headed up to refer to the Registered Designs Act 1949.

In addition, any correspondence or evidence you send to us will need to be copied to the other side at the same time. It is not clear from your e-mail whether in fact this was done in this case."

33. As to the point in the final paragraph, Mr Gannon in a written explanation sent to me after the appeal hearing said that he has searched the outgoing email records of the Respondent and could not find evidence that his email to the Registry had been copied to the Appellant at the time, although he *"does believe that it would have been sent since it has copied all other correspondence relating to these proceedings."*
34. On the available materials I make the following findings on the balance of probabilities. Mr Gannon's letter was sent to the Registry attached to an email of 17 May 2016. Mr Gannon's letter was not copied at the time to the Appellant's representatives and in any event was not received by them. Mr Gannon's letter was not copied at the time by the Registry to the Appellant.
35. Mr Gannon points out that the Registry letter of 20 May 2016 states on its face that it was copied to the Appellant, so the Appellant could then have requested sight of Mr Gannon's email to the Registry. I cannot see why the Appellant should have been under any onus to do this. The Registry letter indicated that Mr Gannon had sent in some unknown material

which the Registry declined to accept as evidence in the proceedings and that it should be re-presented in the form of a properly completed witness statement etc. It was entirely reasonable for the Appellant to wait to see and respond to such materials as the Respondent would in due course file in proper form.

36. In the upshot, Mr Gannon's letter cannot be taken into account as supplementing what is said in the pleadings.

37. As I have mentioned, the Appellant amended its statement of case unequivocally to plead lack of novelty based on the amazon.com disclosures on 15 May 2017. The Respondent did not amend its counterstatement in response. Instead it served a document headed "Reply to the Amended Statement of Case by the Claimant". This document referred to the previous invalidity proceedings as follows:-

"1 . Baigent/the Claimant has offered no credible evidence to prove his lack of novelty claim.

2. In the first attempt by Ross Baigent, the controlling spirit of the Claimant, to invalidate the Registered Design on February 12, 2014, he claimed in DF19A "*This design has been in the public domain since 2006 and has been used by Cataclean since 2010.*" (Exhibit A1).

3. This earlier failed invalidity attempt concerned the Austin Round design which is unrelated to the Registered Design."

38. Exhibit A1 is simply a copy of the DF19A form in the previous invalidation proceedings.

39. Ms Blythe pointed out (correctly) that the Hearing Officer had not considered the effect of that Reply document on the Respondent's pleaded case. The Respondent's pleaded case against the novelty attack

introduced in the amended statement of case should be found in that Reply document, which Ms Blythe characterised as the “Amended Counterstatement”, rather than in the original counterstatement.

40. However I do not accept Ms Blythe’s characterisation of the document as being an “Amended Counterstatement”. As I have pointed out, that is not its title. I do not read that Reply document as superseding the original counterstatement: rather, it appears intended to supplement it.
41. That original counterstatement rather equivocally “noted” the previous Registry decision. That equivocation can be explained by the fact that it was responding to a novelty attack which was itself only being put forward on a conditional and equivocal basis. What the Reply document added to that was the specific reference to the allegation made in that previous invalidity proceeding that the *“design has been in the public domain since 2006 and has been used by [CGL] since 2010.”*
42. In my judgement, these pleadings on close examination do evince an attempt by the Respondent to rely on the previous Registry decision in answer to the Appellant’s case of invalidity. But that attempt is so poorly and ambiguously pleaded that it is not surprising that the Appellant did not anticipate that it would have to meet an attack of estoppel at the hearing - or as it happened, in its written submissions in lieu.
43. It does not follow that the appeal on this ground must automatically be allowed. One course open to the Hearing Officer when it became apparent that the Respondent was seeking to argue estoppel could have been to permit the pleadings to be amended to raise it squarely, and to give the Appellant an appropriate opportunity to adduce evidence and/or

submissions to respond to it. Clearly there would have been discretionary and case management arguments against allowing the plea to be developed at that stage of the proceedings. But I do not think it is safe for me to deal with the appeal on the basis that excluding the Respondent from relying on estoppel would have been a foregone conclusion had the Hearing Officer formed the view (as I do) that a plea of estoppel was discernible on close examination, but was not pleaded with sufficient clarity to give the Appellant a fair opportunity to respond to that plea.

44. I will therefore deal with the two further grounds of appeal, which go to the merits of the estoppel argument.

Res judicata estoppel and IPO proceedings

45. Before turning to the substantive grounds of appeal, I shall briefly outline the relevant law. The law (as distinct from its application to the facts) was not materially in dispute between the parties to this appeal. In *Hormel Foods Corp v. Antilles Landscape Investment Ltd* (“SPAMBUSTER” TM) [2005] EWHC 13 (Ch); [2005] RPC 657, Mr Richard Arnold QC (as he then was), sitting as a deputy High Court judge, at [31] accepted and agreed with a concession of counsel that the Office is a “court of competent jurisdiction” for the purposes of the application of the doctrines of estoppel *per rem judicatem*, including the closely allied *Henderson v Henderson* abuse of process doctrine. He pointed out that s.72(5) of the Patents Act 1977 provides that a decision of the Comptroller on a ground of invalidity of a patent under s.72(1) does not estop a party to civil proceedings. That provision would not be necessary if a decision by the Office were not otherwise capable of giving rise to *res judicata*. He added

that the Trade Marks Act 1994 contained no similar provision, and I would add that neither does the Registered Designs Act 1949.

46. The doctrine does not apply to pre-grant opposition proceedings in the Office: *Special Effects Ltd v L'Oreal SA* [2007] EWCA Civ 1; [2007] RPC 15, where the Court of Appeal reversed a first instance judgment which had followed *Hormel Foods* and had applied it to opposition proceedings. However, both the present proceedings under appeal, and the previous Office proceedings relied upon as giving rise to estoppel, are post-grant invalidity proceedings.
47. In the *Hormel Foods* case, Mr Arnold held that the previous Office proceedings gave rise to a cause of action estoppel, the “cause of action” being that the trade mark was valid. In consequence, he held at [86]:-

“86 It follows from this analysis that: (i) a person who attacks the validity of a patent or registered design is under a duty to put his full case in support of that attack at trial; and (ii) if he is unsuccessful, he will be barred by cause of action estoppel from attacking the validity of the patent or registered design in subsequent proceedings whether on the same or different grounds (except, possibly, in the circumstances identified by Pumfrey J.¹). It appears that *this is so even if he could not have discovered those different grounds by the exercise of reasonable diligence before the first trial, which may be thought somewhat harsh.*” [emphasis added]

48. However, Mr Arnold’s conclusion that cause of action estoppel would prevent the validity of the trade mark being attacked in subsequent

1. This was a reference to *Agilent Technologies Deutschland GmbH v Waters Corp* [2004] EWHC 2992 (Ch), where Pumfrey J at [46] thought that it should in principle be possible for the defendant to re-open the question of validity to the extent that the claimant’s contention on infringement was different from, or additional to that which it had previously made, and made possible grounds of invalidity not previously arguable.

proceedings even if the attacker could not have discovered by reasonable diligence the new grounds on which he sought to rely was based on the decision of the Court of Appeal in *Coflexip SA v Stolt Offshore MS (No 2)* [2004] EWCA Civ 213; [2004] FSR 34 and on related Court of Appeal authorities, including *Poulton v Adjustable Cover and Boiler Block Co* (1908) 25 RPC 661. In particular, Mr Arnold at [65] followed (as he was bound to) the proposition of the Court of Appeal in *Coflexip* that *Arnold v National Westminster Bank PLC* [1991] 2 AC 93 “was authority that cause of action estoppel was an absolute bar to re-litigation unless there was fraud or collusion which justified setting aside the earlier judgment, whereas issue estoppel was subject to a limited exception where further material was found which could not have been adduced by reasonable diligence in the earlier proceedings.”

49. However, in *Virgin Atlantic Airways Ltd v. Zodiac Seats UK Ltd* [2013] UKSC 46; [2013] RPC 29, the Supreme Court overruled the line of authorities based on *Poulton v Adjustable Cover* and which included *Coflexip*. The actual decision of the Supreme Court was that *res judicata* does not preclude a party from relying on a subsequent decision of a competent court or body which revokes or narrows a patent with retrospective effect. In that case, it was a decision to amend the claims of the patent in suit by a Technical Board of Appeal of the European Patent Office in opposition proceedings. Amendment to the registered right is not an issue which arises in the present appeal.
50. The judgments however contain a wider analysis of the law of *res judicata*, including the doctrine in *Henderson v Henderson* (1843) 3 Hare 100 which is often described as based on abuse of process rather than strictly on the rule against re-litigating matters previously decided, since it may

preclude a party or his privies from raising in new proceedings a point which he could and should have raised, but did not raise, in previous proceedings.

51. Lord Sumption and Lord Neuberger each gave judgments, and the other members of the court (Lady Hale and Lords Clarke and Carnwath) agreed with both judgments. Lord Neuberger at [42] agreed with Lord Sumption's exposition of the law at [17]-[26].² Lord Sumption analysed the *Arnold v Westminster Bank* case at [20]-[21] and concluded at [22]:

22 *Arnold v National Westminster Bank plc* [1991] 2 AC 93 is accordingly authority for the following propositions:

(1) Cause of action estoppel is absolute in relation to all points which had to be and were decided in order to establish the existence or non-existence of a cause of action.

(2) Cause of action estoppel also bars the raising in subsequent proceedings of points essential to the existence or non-existence of a cause of action which were not decided because they were not raised in the earlier proceedings, if they could with reasonable diligence and should in all the circumstances have been raised.

(3) Except in special circumstances where this would cause injustice, issue estoppel bars the raising in subsequent proceedings of points which (i) were not raised in the earlier proceedings or (ii) were raised but unsuccessfully. If the relevant point was not raised, the bar will usually be absolute if it could with reasonable diligence and should in all the circumstances have been raised.

52. It should be noted that [22] subparagraph(2) over-ruled the interpretation placed on *Arnold v Westminster Bank* by the Court of Appeal in *Coflexip*, on which Mr Arnold's decision in *Hormel Foods* was based. Accordingly under the law as it stands after the *Virgin Atlantic* judgment, it is open to a party or its privies to challenge the validity of a registered right which

2. Which as I have noted above was quoted in full in the Hearing Officer's decision.

it has previously attacked, provided that the new challenge is based on different grounds, unless they could with reasonable diligence, and should in all the circumstances, have been raised in the previous invalidity proceedings.

53. Paragraph [22] of Lord Sumption's judgment in *Virgin Atlantic* has recently been subject to further consideration by the Supreme Court in *Takhar v Gracefield Developments Ltd* [2019] UKSC 13: see Lord Kerr (with whom the other members of the Court agreed) at [26] to [29]. The Supreme Court held that the test of reasonable diligence expounded by Lord Sumption in his paragraph [22] should not be interpreted as applying to a case where a subsequent action is brought to set aside an earlier judgment on the ground that it was obtained by fraud.
54. The application of the law of *res judicata* to the validity of registered rights is capable of producing oddities, not to say anomalies, at least in cases where a ground of invalidity is relied upon which is open to the public at large to raise, as distinct from a ground such as claim to ownership or a "relative right" of invalidity in relation to a trade mark. A party which has previously attacked the validity of the registered right, whether in court or in the Office, is under a special restriction which may prevent it or its privies from relying on a ground of invalidity such as a piece of prior art which can be relied upon by any other party. On the authority of *Virgin Atlantic*, if another party does raise the ground and the right is actually revoked, the estopped party is then released both from any future obligation to comply with the right and any past liabilities for infringement, at least insofar as they have not been crystallised into a concluded judgment on an inquiry as to damages.

55. So a party which is precluded from itself challenging validity can pass a piece of prior art to a friend down the road, or to someone else with a commercial interest in challenging validity who is then free to do so. Whilst a party who brings an invalidity claim simply acting as a cats-paw for another party who is estopped might be subject to an argument that it is participating in an abuse of process intended to circumvent the estoppel, there are other cases which are far less clear cut.
56. One question which was briefly canvassed at the hearing of the appeal was, assuming that the Appellant itself is estopped, could an invalidity claim be brought by one of the Appellant's customers to which it has supplied bottles which potentially infringe the registered design? Such a customer would have its own independent commercial interest in challenging the validity of the design. It might be argued that such a customer is a "privy", but then why should it be prevented in comparison with its competitors from exercising the normal rights of a company whose commercial activities are alleged to infringe, to challenge the validity of the right deployed against it if there are proper grounds for doing so?
57. Would the question of whether a customer might be bound as a "privy" be dependent upon whether it was aware of the previous proceedings by its supplier in which validity had been challenged, and if so, how much awareness of the detail would be required? Does it really make sense as a matter of policy to apply the doctrine of *res judicata* to invalidity grounds which may be relied upon by the world at large in the same way as to a private right or claim which can be advanced only by the party subject to the estoppel?

58. Fortunately for the purposes of this appeal I do not have to resolve these difficult issues, nor tackle the wider policy question. In my view the relevant test which I need to apply to this appeal is set out in [22] subparagraph (2) of the judgment of Lord Sumption in *Virgin Atlantic*, which has not been affected by *Takhar* on matters relevant to this case.

Second ground of appeal: amazon prior art could and should have been raised

59. The Hearing Officer's brief reasoning in paras [53]-[55] of her decision, which I have quoted above, assumes that the amazon prior art could (and by implication, should) have been raised in the previous invalidity proceedings without explaining why.

60. There was no material before the Hearing Officer about why the amazon prior art was not relied on in the first proceedings. It is possible that she drew an adverse inference against the Appellant on the basis that it ought to have explained the circumstances in its evidence but did not do so. If the decision was based on such an adverse inference, in my view this should have been stated. In any event, I do not consider that an adverse inference would have been justified in view of the state of the pleadings which I have discussed above.

61. I have had the benefit of the additional evidence from both parties which I admitted into the appeal for the reasons explained above. The witness statement of Ross Baigent of 14 February 2018 explains that the amazon prior art was not available in the first invalidity proceedings, in which CGL was self-represented. However, solicitors were engaged for the second set of invalidity proceedings, and they discovered the amazon

prior art in 2016 by using the so-called internet “Wayback Machine” at www.archive.org. Mr Baigent deposes that prior to the solicitors informing him of this discovery, he did not know that it was possible to locate historic or archived website pages.

62. Mr Gannon’s evidence in answer of 21 October 2018 deposes that CGL was represented in the first set of proceedings by a Mr Simon Pine, who was described as the head of the legal department of a group of companies controlled by Mr Baigent. Mr Pine was employed by one of Mr Baigent’s companies, Rosehoff Ltd. “Head” seems to be something of an exaggerated title, since he was apparently the only member of this “legal department”.
63. Mr Gannon exhibited a deposition transcript from US proceedings between Rosehoff Ltd as plaintiff against the Respondent, two other Truscott corporate bodies, and Mr Gordon Gannon and his brother Gregory as defendants. Mr Pine stated that he was employed by Rosehoff Ltd, and said that he was “*effectively the head of the [legal] department for about ten companies.*” These were companies controlled by Mr Baigent and included CGL. Mr Pine deposed that he obtained a degree in law from Liverpool University and qualified as a solicitor. He also deposed that he had expertise in intellectual property law among other areas, although he had no formal qualification in intellectual property law and as an in-house lawyer relied upon external advisers in that area.
64. Mr Gannon alleged that Mr Pine was a “disbarred” solicitor. I understand that Mr Pine no longer has a practising certificate but this may not be required for his in-house function. This side issue is not relevant to the

appeal and I make no finding on it and take no account of the suggestion that he has been “disbarred”.

65. Mr Gannon’s main argument was that the amazon prior art could and should have been found and deployed during the first invalidity proceedings. Either Mr Pine should have found it, or if he was not competent to do so, this was the result of the voluntary choice of Mr Baigent in not engaging competent intellectual property solicitors to conduct the first proceedings in place of Mr Pine. Mr Gannon relied on the fact that Mr Baigent or companies controlled by him had used a wide range of lawyers and advisers in the extensive litigation and disputes which have gone on between the parties or persons or entities related to them.
66. Ms Blythe argued that I should apply a “*broad, merits-based judgment which takes account of the public and private interests involved and also takes account of all the facts of the case*”, founding herself on the last sentence of the passage from the opinion of Lord Bingham in *Johnson v Gore-Wood & Co* [2002] 2 AC 1 quoted in paragraph [24] of Lord Sumption’s judgment in *Virgin Atlantic*. She argued that I should take into account the fact that the Hearing Officer had found definitively within the decision under appeal that the registration is invalid, so that the effect of upholding the estoppel is to keep on the register a right which is definitively invalid rather than a right which is arguably invalid. Further, she invoked the general public interest in not maintaining invalid rights on the register.
67. I do not accept those aspects of her submissions. The evaluation of whether a particular ground could and should have been relied upon in

earlier proceedings necessarily involves assessing what was known or could reasonably have become known to the party at the time concerned, and applying an objective standard. I cannot understand how that standard could meaningfully be adjusted or lowered in the light of whether the new ground turns out to be a strong one or not, still less in the light of whether in the subsequent proceedings the tribunal has or has not made a ruling on the merits of the ground. It is an intrinsic feature of res judicata estoppel that it may lead to cases where a party is barred from advancing a ground which would be successful if the party were allowed to rely on it. The procedural circumstance that the tribunal dealing with the second action has ruled on the merits of the new ground, as opposed to dealing with the estoppel as a preliminary matter, cannot affect the standard to be applied to the assessment.

68. Lord Bingham's reference to a "*broad, merits based judgment*" also has to be read in context. That judgment should be closely focussed on the merits of why the relevant material was not unearthed and used in the previous proceedings. Lord Bingham's words do not justify a wide ranging inquiry into the overall merits or demerits of the conduct of the parties in a web of litigation about related matters, a path down which Mr Gannon's evidence and submissions sought to lead me.
69. The Wayback Machine is a resource which is well known to intellectual property practitioners. In common with most others in this field I have used it, or advised that it be used, to search for prior art, or evidence of other historical facts, on numerous occasions. It is therefore not surprising that once solicitors with intellectual property experience became involved, the Wayback Machine was investigated and the amazon prior art was found.

70. It can be said that if CGL had used experienced intellectual property solicitors at the time of the first invalidity proceedings, it is quite likely that the amazon prior art would have been located and deployed. However, parties to proceedings before the Office are not required to engage professional representation and may choose to represent themselves or (as in this case) use an internal legal resource without the same level of experience. I think it would be wrong to treat every unrepresented party in proceedings before the Office as failing in its duty to unearth relevant prior art or other evidence simply because it is likely - or even highly likely - that the prior art or evidence would have been found if experienced solicitors had been instructed. Such an approach would seriously undermine the right of parties not to be professionally represented and therefore would also undermine the public interest in keeping down the costs of Office proceedings.
71. There is of course a general principle that an unrepresented party cannot use the fact that it is not represented as an excuse for non-compliance with procedural rules or other basic requirements imposed on parties. I do not think the present question is comparable. Engaging in Wayback Machine searches is not a legal or professional standard or requirement. The fact that many competent professional advisers would very probably (but not certainly) undertake such searches does not mean that a party which chooses to rely on non-qualified or in house representation, as is its right, can thereby be said to be in breach of a duty to exercise reasonable diligence. To hold otherwise would be to hold that self- representation in the Office is itself a failure to exercise reasonable diligence.
72. On the evidence, CGL during its invalidity attack was unaware of the potential line of inquiry to gather internet archive evidence by means of

the Wayback Machine. Clearly they had a suspicion that there might well have been prior art emanating from the proprietor, but in the absence of concrete evidence of a specific act of publication it is not possible to plead a prior art attack, still less to succeed on it. For the reasons I have already explained, I reject the contention that CGL's lack of awareness of the potential of the Wayback Machine arose from a failure on its part to exercise reasonable diligence. It follows that the Appellant is not estopped from challenging validity on the basis of the amazon prior art.

Third ground of appeal: is the Appellant a "privy" of CGL?

73. The Hearing Officer held that the Appellant and CGL "*are sister companies, and therefore privies*". The fact that two entities are sister companies in a group is not by itself sufficient to hold them to be "privies". In *Special Effects v L'Oreal* at [80]-[82] the Court of Appeal, albeit obiter, disapproved (as going too far) part of the reasoning of the Chancellor who had held at first instance that "*prima facie, every company in a group is to be regarded as the privy of every other company in the group unless it demonstrates to the contrary.*"
74. In his second witness statement (the first on the appeal), Mr Baigent gave evidence that he was a director of and shareholder in Rosehoff Ltd, which was the sole shareholder of both the Appellant and CGL. Mr Baigent also said that he was a director of the Appellant and CGL.
75. In his evidence in answer, Mr Gannon exhibited Companies House records which demonstrated that Mr Baigent disposed of his shareholding in Rosehoff on 10 August 2011 to an entity called LRZ Holdings Ltd, and that he resigned as a director of Rosehoff on 1 April 2017, although he remained listed as a "person with significant control"

(PSC). Further, at the time of Mr Baigent's witness statement, Mr Baigent was 100% shareholder of a company called SJA (Liverpool) Ltd, which in turn was 100% shareholder of LRZ, which in turn was 100% shareholder of Rosehoff.

76. Mr Baigent's witness statement in reply does not in terms answer Mr Gannon's evidence on these points. Instead, it asks for those and other parts of Mr Gannon's witness statement to be struck out. However, the way Mr Baigent describes himself has been altered to "*a director and the ultimate beneficial owner of*" the Appellant and of CGL. I infer that Mr Gannon's factual allegations about the share ownership of Rosehoff are accepted as being correct.
77. As I made clear at the hearing, I am not impressed by these factual inaccuracies in Mr Baigent's second witness statement, nor by his failure in his third witness statement in reply to Mr Gannon to acknowledge or explain these errors, otherwise than via the sidewind of the introduction of the word "ultimate".
78. In the light of these inaccuracies, I have carefully considered whether I should treat Mr Baigent as an unreliable witness. In his favour, it can be said that his witness statements do not seek to conceal the degree of his personal control over the Appellant and CGL, and the fact that his shareholding interest in Rosehoff was indirect via other entities rather than direct is a technical matter not in the end of great materiality.
79. Mr Baigent's substantive grounds for contending that the Appellant is not a privy of CGL are that (1) the present proceedings were brought in the name of the Appellant because it rather than CGL was the appropriate entity to put forward the proprietorship claim; and (2) the

Appellant is used as a vehicle to engage in international distribution agreements, whereas CGL is predominantly used as a vehicle to engage in UK-based sales. The Appellant has on occasion engaged in direct sales of the Cataclean product but the Appellant and CGL have their own distinct customers and suppliers.

80. For the correct approach, Ms Blythe relied particularly on the decision of the Court of Appeal in *Resolution Chemicals v H. Lundbeck A/S* [2013] EWCA Civ 924; [2014] RPC 5, which upheld a decision by Arnold J that the claimant was not estopped by, because it was not privy to, previous invalidity proceedings which had been brought by Arrow Generics Ltd, a sister company of the claimant. Ms Blythe pointed out, correctly, that this was a case where the fact that the two companies were sister companies was not sufficient to make them “privies” for the purposes of estoppel.
81. The facts of the *Resolution Chemicals* case are complex, but the main reason why Arnold J held the claimant not to be privy to the previous invalidation proceedings brought by Arrow Generics was that at the time when those proceedings were brought, the claimant itself had no interest in escitalopram which was the subject of the patent in suit. It is not helpful to engage in a minute comparison of the facts of that case with the facts of the present case in order to decide which side of the line the present case falls. Instead, the right approach is to extract the principles expounded and illustrated in that case and apply them to the present.
82. Those principles are set out in the judgment of Floyd LJ at [22]-[35] in a section of his judgment headed “*The law on privity of interest*”. Further guidance can be drawn from paragraphs [81]-[82] of the Court of Appeal’s judgment in *Special Effects*, which are quoted by Floyd LJ at [46].

Distilling those principles, I consider that the key question is whether or not the group of companies controlled by Mr Baigent could be said to have organised its affairs in such a way that CGL was attacking the validity of the registration effectively to protect the interests of the whole group, or at least of those members of the group who were engaged in a line of business affected by the design registration. I consider that it was. The fact that the Appellant was primarily engaged in international distribution while CGL was primarily engaged in sales within the United Kingdom does not matter for this purpose. The fact that the Appellant was the appropriate company to bring the proprietorship claim in the present invalidity proceedings in my judgement has no bearing on whether or not the Appellant had privity of interest with CGL as regards invalidity of the design on prior art grounds at the time when CGL pursued its application.

83. In conclusion, I reject the third ground of appeal and hold that the Appellant was CGL's privity and so would be bound by an estoppel against CGL, had I held such an estoppel to apply.

Costs

84. The Hearing Officer did not deal with costs, since her decision was an interim decision which did not conclude the proceedings in the Office, and the issue of proprietorship was yet to be determined. However, it follows from my finding on the second ground of appeal that the registered design must now be revoked, so no further proceedings will take place in the Office and I therefore need to deal with the costs.
85. I note that Ms Skilton made a scale costs order totalling £1200 in favour of the Respondent (Truscott) in the case brought by CGL. I note that that

order included £300 for preparation for and attendance at the hearing, and that there was no hearing in the present case (a very false economy as is now clear to all). The standard scale of costs has since been increased by Tribunal Practice Note TPN 2/2016, but that applies only to proceedings begun on or after 1 July 2016 whereas the present application was launched on 16 February 2016. Hence the scale used by Ms Skilton still applies to this case.

86. No submissions were made to me that the weight of the work done at each stage in the present case was either heavier or lighter than that done in the CGL case. Hence I will make an order for costs of £1100 in favour of the Appellant, the £100 reduction compared with the previous case to reflect that fact that written submissions were filed in this case in lieu of an actual hearing.
87. There are further matters to consider regarding costs of the appeal. First, I made an interim decision which rejected an application by the Appellant to transfer the appeal to the High Court. When I took that decision, I was under the impression that the Appellant had simply changed its mind about whether to appeal to the Appointed Person or to the High Court. This opened up the possibility that the costs of the application might be awarded on an off-scale basis.
88. However, Ms Blythe relied on a letter from the Hearing Officer dated 17 January 2018 in which she granted permission to appeal against her interim decision. That letter also extended the time to appeal to the Appointed Person under rule 19(1) of the Registered Design Rules 2006. It did not however purport to grant a corresponding extension of time for an appeal to the High Court, presumably because it was not thought to be within the scope of the rules to do so.

89. In consequence, it is understandable that the Appellant launched its appeal to the Appointed Person, and then filed an application to transfer to the High Court, if it was of the view that the appropriate destination for the appeal was the High Court. Mr Gannon says that the Respondent incurred in excess of £5000 in costs, mainly in the form of legal advice, in dealing with the application to transfer. However I do not think that there is anything in the Appellant's conduct which would justify awarding off-scale costs, and the most I would award would be scale costs of the Respondent's written submissions on the basis that the Appellant had made an interlocutory application which had failed.
90. Of more consequence are the factual inaccuracies about the company structure in Mr Baigent's 2nd witness statement, which were exposed by Mr Gannon's evidence in answer. The preparation of Mr Gannon's evidence and its extensive exhibits bearing on this point were a significant and obviously time-consuming exercise. This issue also involved the expenditure of time during the hearing.
91. The careless, not to say lackadaisical, errors in Mr Baigent's witness statement resulted in the Respondent incurring costs which it should not have had to incur. This was compounded by the Appellant's response to Mr Gannon's evidence, which was to launch an application to strike out most of his evidence. That application was manifestly ill-founded and, for the record, I reject it. Mr Gannon's evidence about the corporate structure of the Rosehoff group was plainly responsive to Mr Baigent's second witness statement and demonstrated errors in it. Mr Gannon's evidence about the role of Mr Pine was plainly highly pertinent to the issue of whether or not CGL could and/or should have found the amazon prior art by reasonable diligence. On that aspect, Mr Baigent's witness statement - while not inaccurate - was far from forthcoming about the

manner in which CGL had been “self-represented” in the previous proceedings.

92. I consider that in principle the errors in Mr Baigent’s witness statement and the unjustified application to strike out Mr Gannon’s evidence in answer could justify the Respondent being awarded the consequent costs outside the standard scale.
93. However I do not want to introduce unnecessary complexity over comparatively small sums. In my view, justice will be done on the costs of the appeal if I notionally set off the scale costs to which the Appellant’s success on the appeal would normally entitle it against scale costs of the application to transfer and the off-scale costs arising from the errors in the witness statement, and overall make no order for the costs of the appeal.

Concluding observations

94. The procedure adopted in this case was to dispense with an oral hearing, and for the parties to exchange written submissions “in lieu” with no further right of reply. It is clear that this attempt to save costs has gone horribly wrong. It led to an appeal in which substantial new evidence was admitted and there had to be two hearings.
95. It is clear that the “in lieu” procedure put the Hearing Officer in a position of considerable difficulty. She had submissions from one party raising and relying on estoppel, but no response on either the facts or the law on that topic from the other party. Therefore she did not have the benefit of arguments as to whether the pleadings did indeed raise estoppel in a way sufficient to give fair warning to the opposite party.

96. Unless it is plainly a case where a party has simply chosen not to answer a point which the other party's pleadings clearly raised, it is dangerous to proceed in those circumstances. As a result, the Hearing Officer did not have the benefit of either legal arguments or evidence about reasonable diligence or the relationship between the companies and whether they were "privies".
97. It may be that the procedure of replacing an oral hearing with exchanged written submissions in lieu operates satisfactorily in the majority of cases. However, there may well be cases (of which this is one) when the Hearing Officer should consider whether, despite the parties' agreement to directions designed to save costs, it might be better to revert to the parties to respond to substantial matters raised by the other party where their written submission are "ships that passed in the night".

Disposition

- (1) The hearing officer's decision that the Appellant is barred by estoppel from challenging the validity of the registered design is set aside.
- (2) Registered design No 4033752 is declared invalid.
- (3) The Respondent shall within 28 days pay to the Appellant scale costs of £1100 for the proceedings in the Registry.
- (4) There shall be no order for the costs of the appeal.

Martin Howe QC
Appointed Person (Designs)

17 April 2019