IN THE HIGH COURT OF NEW ZEALAND
AUCKLAND REGISTRY

CIV 2006-404-7709

UNDER	the Patents Act 1953
IN THE MATTER OF	An application for revocation of New Zealand Patent No. 272754
BETWEEN	BAYCITY TECHNOLOGIES LIMITED Plaintiff/Counterclaim Defendant
AND	MICHAEL JOSEPH UTTINGER First Defendant
AND	DAIRYSENSE LLC Second Defendant/Counterclaim Plaintiff

Hearing:	2 March 2012
Counsel:	B Brown QC and K W McLeod for Respondent Plaintiff/Counterclaim Defendants Mr Elliott and Mr Pietras for Applicant Second Defendant/Counterlcaim Plaintiff
Judgment:	21 March 2012

JUDGMENT OF WINKELMANN J

This judgment was delivered by me on 21 March 2012 at 4.00 pm pursuant to Rule 11.5 of the High Court Rules.

Registrar/ Deputy Registrar

A J Park, Auckland
A J Pietras & Co, Lower Hutt

Counsel
B Brown QC, Auckland
C Elliott, Auckland

[1] In these proceedings the plaintiff/counterclaim defendant (BayCity) seeks to revoke Patent No. 272754, for a remote data acquisition system. The second defendant/counterclaim plaintiff (DairySense) is the proprietor of that patent. DairySense has been granted leave to bring a patent infringement counterclaim against BayCity in the same proceeding. The counterclaim[1] alleges that BayCity sells/deals in the UAD4 data logger (the UAD4) and thereby infringes patent No. 272754. It is not alleged that BayCity has directly infringed the patent, but rather that it is a "contributory infringer". DairySense seeks orders for further and better discovery and for answers to interrogatories. It also seeks an order that BayCity make available for inspection a sample of each version of the UAD4 data logger, and a sample of each version of software intended for use with that data logger.

[2] The orders sought are opposed by BayCity on the grounds that DairySense has not particularised an instance of contributory infringement sufficient to support any of the applications for further and better discovery, the interrogatories or the inspection sought.

[3] The particular orders sought are listed in the schedule addended to this judgment. Interrogatories 1(a) and (b) and the documentation described in paragraphs 2(a) and (b) have already been provided by BayCity. In addition, BayCity has offered to provide for inspection a sample of its UAD4 data logger, but not if it is to be disassembled.

Relevant background

The DairySense patent

[4] It is relevant to this application to describe the nature of DairySense's patent. The patent contains two principal claims and a number of dependent claims. Claim 1 covers use of a system by which at least one parameter of milk in a milk vat (for example milk volume, milk temperature) is sensed and then transmitted to a

[1] Set out in the first amended statement of defence and counterclaim dated 1 June 2011.

processing station – a dairy factory. The dairy factory receives and uses the information transmitted to facilitate an assessment of the *quality* of the milk stored in the milk vat and, based on that assessment, a determination is made by the dairy factory whether:

(a) The milk should be collected from the farm; and/or

(b) What form of processing is appropriate for the milk in light of its quality.

[5] The other principal claim is claim 7. This covers a method of allocating the type of processing accorded to milk collected from a vat which contains a sensor capable of reading the parameters of milk in the vat, and transmitting those to the processing company. The processing company then uses that information to assess the quality of the milk, and to coordinate the type of processing accorded to the milk based on that quality. Like claim (1), claim (7) requires a dairy factory to use the information transmitted to it to assess quality and to act on that information. Claims (8) to (11) and (13) are all dependent on claim (7).

BayCity's UAD4

[6] The UAD4 is a remote data logger. It is marketed as providing monitoring solutions for a range of industries including those needing to measure weather, effluent in ponds, soil moisture and temperature, and water levels. It is also marketed as an automated milk monitoring system which can be installed in milk vats to record milk temperature and volume. The website relating to the UAD4 contains the following statements:

> With alerts, even the farm owners are able to monitor the wash up cycles and milk quality without doing the activity themselves. It also allows the farmer to assess the efficiency of the refrigeration equipment and be alerted of any failures. For the processing company, they can see that the farmer is maintaining good milk quality and also see the volume ready to be picked up, thereby increasing truck fleet efficiencies.

Mr Uttinger's affidavit

[7] Mr Uttinger is a director of DairySense. He has filed an affidavit in support of these applications in which he describes visits he made to two Fonterra Supplier farms. On these two farms he saw milk vats each of which had devices installed that he believed to be UAD4 devices. At one of the sites a Fonterra milk tanker turned up, while he was present, to collect milk from the vat. Mr Uttinger says that it is common knowledge in the case of Fonterra supplier farms, the vats and the associated agitation and other hardware, are owned by Fonterra *and not the farmer.* It is also common knowledge he says, that once the milk is in a Fonterra vat awaiting collection, it becomes the property of Fonterra.

The counterclaim pleadings

[8] DairySense pleads its proprietorship of New Zealand Patent No. 272754. The critical pleading then is as follows:

> [36] BayCity ..... promotes, offers for sale, sells, offers to install and installs a device and system for use in a manner according to each and every one of the claims of the patent.
>
> [37] At least one embodiment of the BayCity device is referred to on the web site www.baycity-technologies.com (the web site) as the *UAD4 Series remote Data Logger* (The BayCity Device).
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> [38] At least one embodiment of the system is referred to on the web site *an automated milk monitoring system* (the BayCity System).
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> [39] [BayCity] has caused the BayCity Device and the BayCity System to be publicly promoted in New Zealand on the web site since at least 27 May 2011.
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> [40] [BayCity] has caused the BayCity Device and the BayCity System to be offered for sale in New Zealand on the web site since at least 27 May 2011.
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> [41] [BayCity] has been involved in the sale of the BayCity Device and the BayCity System in New Zealand to Fonterra or an associated entity thereof, further particulars of such sale and entity to be provided following discovery.
>
> [42] [BayCity] has offered to install and has assisted in the installation of the BayCity Device and the BayCity System in New Zealand for Fonterra or

> an associated entity thereof, further particulars of such installation to be provided following discovery.
>
> [43] The actions of the counterclaim defendant as set out in paragraphs 36 to 42 hereof constitute an infringement, whether contributory or otherwise, of all of the claims of the patent.

[9] What is not apparent on the face of the pleading, but which Mr Elliott for DairySense made clear in the course of his written and oral submissions, is that DairySense does not allege that BayCity is using the system claimed in the DairySense patent. The allegation is that BayCity is a contributory infringer of the patent, in the sense that it is wrongfully involved in some way in the infringement of the patent by another. Again, it is not pleaded who the primary infringer of the patent is. During the course of submissions Mr Elliott clarified that the primary infringer is claimed to be Fonterra. As to why that allegation is not included in the counterclaim, that is because, Mr Elliott says, it is not thought to be commercially prudent for DairySense to allege that Fonterra has breached DairySense's patent. Ultimately, DairySense wishes to be able to supply the patented system to Fonterra for use, and it believes its prospects for sales would be detrimentally effected were it to make an allegation that Fonterra is in breach of its patent.

[10] Mr Elliott explained that the case against BayCity is that Fonterra is the primary infringer. It is using the UAD4 data logger to monitor milk quality, information that is transmitted to it at some location remote from the farms in question. BayCity is implicated because it sells its product as being capable of being used to transmit such information to a milk processing company, and it installs its products on Fonterra farms knowing that Fonterra intends to use the data logger as part of an infringing system.

Relevant legal principles

The law relating to pleading in proceedings for infringement of patent

[11] Part 22 of the High Court Rules contains particular rules for regulatory proceedings commenced in connection with patents. Rule 22.22 provides that in a

proceeding for infringement of a patent, the plaintiff must deliver particulars of the breaches relied on with the plaintiff's statement of claim; and give at least one instance of each type of infringement. Rule 22.24 provides that a party may not (without leave of the Court) be heard or adduce evidence in support of an alleged infringement if it relates to matters that are not specified in, or at variance with, the particulars that person has delivered. These rules are clearly directed to restricting discovery and trial to the specific instances or infringement alleged and particularised. The object of such a policy being to avoid unnecessary expense and delay.[2]

[12] The counterclaim is not an action for infringement of a patent. It is more likely correctly characterised as an action based on the tort of procuring an infringement by others.[3] It is therefore arguable that these rules do not apply, although I note that was not a point taken by Mr Elliott. Whatever the true characterisation of the action for contributory infringement, the policy underlying the rules governing pleading of infringement actions apply with equal force. That policy informs the assessment of the particulars required of an allegation of contributory infringement, even if the issue is considered in the context of the usual rules as to requirement for particularity in pleading contained in High Court Rule 5.26.

The law relating to contributory infringement

[13] There is no liability in New Zealand for merely facilitating infringement although a legislative amendment to create such liability is presently under consideration.[4] Australia and the United Kingdom now have statutory prohibitions on the facilitation of an infringement, although liability for procuring infringement is not necessarily dependent on the statute. In New Zealand, however, these allegations will be determined solely under the common law.

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2 *Belegging–en Exploitatiemaatschappij Lavender BV v Witten Industrial Diamonds Ltd* (1979) FSR 59 at 64.

3 *Belegging–en* at 66.

4 Patents Bill 2009, cl 134.

[14] A contributory infringer is one who, in some way, procures or induces an infringement of the patent by another. To contribute in this way to an infringement; there must, of course, be a primary infringer. It is not enough to constitute contributory infringement to merely facilitate the primary infringement. Therefore, the sale of an item knowing that it is to be used in an infringing way is not sufficient to make out a contributory infringement. In *Townsend v Haworth*, Jessell MR said:[5]

> You cannot make out the proposition that any person selling any article, either organic or inorganic, either produced by nature or produced by art, which could in any way be used in the making of a patented article can be sued as an infringer, because he knows that the purchaser intends to make use of it for that purpose.

[15] Even were DairySense able to prove that the system marketed and sold by BayCity could be used for no purpose other than an infringing purpose, that would not, without more, constitute contributory infringement as such a system could nevertheless be disposed of without infringement. The purchaser might for example export the system.[6] In any case Mr Elliott could not and did not seek to put his case so high as to allege that the UAD4 data logger was incapable of a non-infringing use in New Zealand.

DairySense's applications

[16] The application for further and better discovery and for interrogatories is couched in such general terms as to be objectionable on that ground alone. It is so broadly expressed as to capture material not even related to the dairy industry. This is a fishing exercise, not tied in any way to a pleading.[7]

[17] I discussed with Mr Elliott whether the application could be amended to tie it more closely to allegations involving infringement by Fonterra, but even then the difficulty in addressing DairySense's applications is the deficiency in the pleading of that cause of action. Although the essence of the claim against BayCity must be that

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5 *Townsend v Haworth* (1875) 48 LJ ChD 770.
6 *Belegging–en* at 65.
7 *Aktiengesellschaft fur Autogene Aluminium Schweissung v London Aluminium Company* (1919) 2 ChD 67.

it induced or procured this third party to infringe DairySense's patent, that is not pleaded.

[18] BayCity is entitled to particulars of the identity of the primary infringer, particulars of the infringement alleged, and also particulars of BayCity's acts of procurement or inducement. These deficiencies make the pleading amenable to strike out, but BayCity has elected not to apply to strike out.[8] Rather it elects to hold DairySense to its pleading, and resists the discovery[9] on the grounds that the discovery does not relate to an instance of infringement, or an act of inducement or procurement particularised. It says that for these reasons any of the material produced through this process could not be relevant and could not be admitted at trial. BayCity says it has not sought to strike out the counterclaim because it is brought in the context of a long running dispute (proceedings commenced in 2006) which has a trial date in June of this year, and the counterclaim is only one of the issues to be dealt with at the substantive hearing.

[19] BayCity is not obliged to make an application to strike out a deficient pleading, but on the other hand DairySense has clear obligations to plead its claim properly. In this case it has not done so. It may have valid commercial reasons for being obscure in its pleading, but those reasons cannot relieve it of the obligation to properly plead its claim. Although it need not sue the primary infringer, it must be prepared to state plainly whom the primary infringer is in its pleading, the instances of infringement, and how BayCity procured or induced that or those infringements. It cannot seek discovery or issue interrogatories, or indeed seek rights of inspection in reliance upon unmade or unparticularised allegations

[20] During the course of argument, I discussed with counsel for DairySense the nature of DairySense's claim against BayCity. At the end of that discussion the identity of the primary infringer was clear, but the exact nature of that infringement had not been articulated, and nor was it clear what the alleged acts of procurement or inducement by BayCity were. I therefore asked Mr Elliott whether I should decide the application on the basis of the pleading as it stood, or on the basis of some yet to

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8 *Nu-Pulse New Zealand Ltd v Milka-Ware & Ors* HC Hamilton CP 8/97, 14 October 1999.

9 By that term I mean in this context discovery of documents, interrogatories and inspection of the data logger and the software.

be formulated pleading. Mr Elliott accepted that the present application fell to be decided on the basis of the present pleading of DairySense's counterclaim.

[21] On that basis DairySense cannot succeed with this application for further discovery, nor its application that the interrogatories be answered. Even were I to narrow the scope of those interrogatories and the discovery sought to transactions and dealings with Fonterra, the absence of any adequate pleading of the particular instance of primary breach, or the acts of procurement and inducement, mean that even those (more limited) discovery and interrogatories would not be anchored to any present pleading or particulars in the counterclaim.

[22] In relation to the application for an order for inspection of the UAD4 data logger, DairySense seeks more than mere inspection. It seeks the right to disassemble the product. Were it to do so it would render that product unsaleable. In circumstances where the functionality of the UAD4 data logger seems clear cut, and not to be at issue in these proceedings, the relevance of that exercise to the claim is not made out. That application is therefore declined.

[23] In relation to the request for a sample of each version of software intended for use with the UAD4 data logger, that again is too broad. The UAD4 data logger is used for many purposes. Mr Brown for BayCity said that access to software intended for use with the UAD4 data logger in connection with measurement of parameters in relation to milk was not opposed, if adequate protections were put in place to meet concerns about providing a product to a potential competitor. The parties should attempt to agree a proper basis for the inspection to take place to meet BayCity's concerns regarding confidentiality. If they are unable to do so, then I will convene a telephone conference where those issues can be addressed and resolved.

Result

[24] The applications for further and better discovery, for orders that BayCity answer interrogatories and for inspection of the UAD4 data logger are declined.

[25] I make no order in relation to the application for inspection of software at this point pending further discussion between the parties.

[26] BayCity is entitled to the costs on this application on a 2B basis.

Winkelmann J

Schedule One: orders sought by DairySense[10]

1. The plaintiff/counterclaim defendant provide, within 10 working days, answers by way of affidavit, to the second defendant/counterclaim plaintiff's notice to answer interrogatories dated 8 December 2011 and, in particular, to answer the following questions:

a) Does the UAD4 data logger (referred to in paragraph 10(a) of the plaintiff/counterclaim defendant's reply and defence to the defendant's first amended statement of defence and counterclaim and dated 9 September 2011) incorporate or include, or is it offered or supplied in some way with, a facility for sensing milk temperature in a milk vat/tank.

b) Does the UAD4 data logger incorporate, or is it offered or supplied with, a facility (including, software, firmware or hardware) to enable, assist or facilitate the transmission to a location remote from a farm, directly or indirectly, of data pertaining to the temperature of milk in a vat/tank at the farm.

c) Has the counterclaim defendant caused, procured or been involved, directly or indirectly, in the specifying, design, sourcing or supply of the UAD4 data logger to/for an entity or entities in New Zealand knowing that such entity wishes to or is likely to (answer separately for each item):

a) rely on the UAD4 data logger as at least part of a method, system or process of monitoring milk temperate in a farm milk vat/tank;

b) receive, directly or indirectly, information transmitted from the farm, directly or indirectly, wherein such information pertains to milk temperature; or

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[10] As set out in DairySense's application for further and better discovery and for answers to interrogatories of 23 January 2012.

c) use information pertaining to milk temperature as at least part of a determination:

i) whether to collect the milk from the farm; and/or

ii) what form of processing to apply to the milk in light of its quality.

d) If the answer to any of the questions at 1(iii) above is yes then for each such question:

a) what is the name and address or each such entity;

b) approximately how many UAD4 data loggers were supplied to each such entity; and

c) when were each of the UAD4 data loggers referred to in the immediately preceding subparagraphs specified, designed, sourced and/or supplied.

e) Has the counterclaim defendant caused, procured or been involved, directly or indirectly, in the specifying, design, sourcing or supply of software for installation on a computer or data processor intended in use to be remote from a UAD4 data logger wherein such software is designed or adapted for (answer separately for each item):

a) assisting the computer or data processor to process data based on information pertaining to temperature derived from or associated with the UAD4 data logger; and/or

b) assisting the computer or data processor to display information for use in determining:

a. whether to collect the milk from the farm; and/or

b. what form of processing to apply to the milk in light of its quality.

f) If the answer to any of the questions at 1 (v) above is yes then in each case

a) what is the name and address of each such entity;

b) approximately how many items of software for use on or in relation to each of the UAD4 data loggers were supplied to each such entity; and

c) when was each of the software referred to in the immediately preceding subparagraphs specified, designed, sourced and/or supplied?

2. The plaintiff/counterclaim defendant provide, within 10 workings days, proper, further and better discovery in relation to the patent infringement counterclaim, including, without limiting the generality of such order, an affidavit of documents relating to the following:

a) documentation identifying the manufacturer(s) of the UAD4 data logger;

b) documentation used and/or distributed, or intended for use and/or distribution, with the UAD4 data logger;

c) software used and/or distributed, or intended for use and/or distribution, with the UAD4 data logger;

d) correspondence (whether in house or otherwise) which touches on or concerns the capabilities and/or intended end user users of the UAD4 data logger;

e) material showing offers to supply and/or orders received and/or sales of the UAD4 data logger;

f) material identifying any farms on which the UAD4 data logger has been or is being installed or used; and

g) documentation showing the information captured by or with the assistance of the UAD4 data logger.

3. The plaintiff/counterclaim defendant make available for inspection, within 10 working days:

a) a sample of each version of the UAD4 data logger, and

b) a sample of each version of software intended for use with the UAD4 data logger.