

WARD and Another v GENESIS EQUIPMENT AND MANUFACTURING INC AND PALLADIN HEAVY CONSTRUCTION and Another

HIGH COURT OF NEW ZEALAND

STEVENS J

30 April, 1 May, 30 June 2009 — Auckland

Patents — Amendment — Disclaimer — Delay — Covetousness — Disclosure — Principles governing court's discretion — (NZ) Patents Act 1953 ss 39, 40.

The first plaintiff, as patentee, applied under ss 39 and 40 Patents Act 1953 (NZ) to amend his New Zealand patent. This was opposed by the defendants. The patent related to devices designed to cut and pulverize materials by using jaw attachments for excavators.

The first plaintiff was also proprietor of a corresponding Australian patent that had been re-examined, a process that brought to the first plaintiff's attention prior art that might have been available in New Zealand before the priority date of the New Zealand patent. As a precaution the first plaintiff applied to amend the New Zealand patent on 21 December 2006.

It was common ground that the court had jurisdiction under s 39 to make the orders sought and that the proposed amendments were in proper form under s 40, being disclaimers and a correction. At issue was whether this was an appropriate case for the court to allow the amendments in the exercise of its discretion.

The application to amend was made in the context of existing litigation by the first plaintiff alleging infringement of the patent against the defendants and a further party.

The corresponding Australian patent had been re-examined in 2005. Leave to amend was granted by IP Australia on 19 May 2006. Subsequently opposition was filed to the Australian amendment. After further amendments proposed by the applicant, leave to amend was finally granted by IP Australia on 15 August 2008 with the amendments being advertised in February 2009.

The defendants opposed the granting of leave to amend on the basis that:

- (a) The application should be treated as one of rewriting and the law on deleting amendments disregarded in this case.
- (b) There was considerable delay when re-examination of the corresponding Australian patent was being conducted and yet at the same time the plaintiffs (through their New Zealand counsel) were vigorously promoting the infringement litigation in New Zealand.
- (c) The delay should be counted from when the patentee or his agent knew or ought reasonably to have appreciated that the prior art caused a problem and that a patentee should move as soon as is reasonably practical.
- (d) There had not been candid disclosure of all material facts nor had the patentee adequately explained the delay.

Held, allowing the amendments:

- (i) The amendments were deletions and complied with s 40: at [54].
- (ii) The first plaintiff had been entirely frank and open about the circumstances relevant to the application. He had modest financial resources and it was entirely understandable that he was hoping to have the Australian amendment considered and approved by the Australian examiner and to use this as a basis for amendment in other jurisdictions, including New Zealand: at [56].

(iii) Prior to October 2006, there was no knowledge of circumstances by the first plaintiff or his agent that would have warranted an application to amend. Following counsel being instructed, the applicant acted entirely reasonably and properly: at [58], [60].

5 (iv) As to covetousness, the first plaintiff was not deliberately trying to maintain a monopoly in respect of the New Zealand patent to which he knew he was not entitled. Further, this was not a case where the patentee had knowingly and deliberately sought to make patent claims of unjustifiable width. Once it became clear that the Australian re-examination process was likely to become problematic after September 2006, the first plaintiff took prompt and reasonable steps to obtain advice in New Zealand regarding the desirability of applying to amend the New Zealand patent. Covetousness requires the formation by a competent professional of a view that the patent is invalid, coupled with a deliberate decision to hide that fact and/or a failure to act: at [61]–[63].

10 (v) There was no delay here of the type that would warrant the court exercising a discretion to decline the amendment. No public interest was affected and the defendants have not shown on the evidence any specific prejudice: at [68]–[70].

15 *Kimberly-Clark Worldwide Inc v Procter & Gamble Ltd* [2000] RPC 422 (CA); [1999] All ER (D) 1310; *Re Mabuchi Motor KK's Patent* [1996] RPC 387; *Imperial Chemical Industries Ltd (Whyte's) Patent* [1978] RPC 11; *Wilkinson Sword Ltd v Gillette Industries Ltd* [1975] RPC 101; *Vector Corp v Glatt Air Techniques Ltd* [2007] RPC 12; *Smith Kline & French Laboratories Ltd v Evans Medical Ltd* [1989] 1 FSR 561; *Coory v Amcor Packaging (New Zealand) Ltd* (2004) 20 62 IPR 446; *Ethyl Corporation's Patent* [1972] RPC 169; *Gambro Pty Ltd v Fresenius Medical Care South East Asia Pty Ltd* (1999) 48 IPR 625; [1999] FCA 1848; *Matbro Ltd v Michigan (Great Britain) Ltd* [1973] RPC 823; *Polytherm Industries Ltd v Dux Engineers Ltd* (unreported, HC AK, CL 32/96, 31 25 October 1997); *M-Systems Flash Disk Pioneers Ltd v Trek 2000 International Ltd* [2008] RPC 18, referred to.

Instance v CCL Label Inc [2002] FSR 27; *Petrolite Holdings Inc v Dyno Oil Field Chemicals UK Ltd* [1998] FSR 190, distinguished.

30 *C L Elliott and I Finch* for the plaintiffs.

K W McLeod for the defendants.

G Arthur for The Stanley Works.

Stevens J.

35 Introduction

[1] The first plaintiff has applied as patentee to amend patent No 517737 (the patent) entitled “Cutting or Crushing Apparatus”. The application is brought under ss 39 and 40 of the Patents Act 1953 (NZ) (the Act). It is opposed by the defendants Genesis Equipment and Manufacturing Inc and Palladin Heavy Construction (the first defendants) and Genesis Attachments LLC (the second defendant) as well as The Stanley Works, a party given leave to oppose the application.

40 [2] The patent relates to devices designed to cut and pulverise materials by using jaw attachments for excavators specifically used in the demolition and scrap recycling industry.

45 [3] The first plaintiff is also the proprietor of a corresponding Australian patent. The Australian patent has been re-examined, a process which brought to the plaintiff's attention prior art that may have been available to the New Zealand public before the priority date of the patent. Against this possibility, and as a precautionary step, the first plaintiff applied as patentee to amend the New Zealand patent.

[4] At the start of the hearing, counsel for the opposing parties helpfully indicated that there was no dispute that the court had jurisdiction under s 39 of the Act to make the order sought. Further, it was accepted that the proposed amendments were in proper form and were respectively disclaimers and a correction under s 40 of the Act. At issue was whether this was an appropriate case for the court to exercise its discretion to allow the proposed amendments. In terms of the wider dispute between the parties involving allegations of infringement of the New Zealand patent, the opposing parties reserved their position as to the validity of the patent.

[5] For the reasons set out below, I am satisfied that this is an appropriate case to exercise the discretion in s 39 of the Act to allow the patentee to amend the patent. The detailed order will be set out later at [71].

Factual background

[6] The application to amend was filed in the High Court on 21 December 2006. This occurred in the context of litigation, commenced in New Zealand by the plaintiffs in April 2005, alleging infringement of the patent. Two separate proceedings were issued, the first against Genesis Equipment and another party (the Genesis litigation) and the second against The Stanley Works/LaBounty parties (The Stanley Works litigation). The defendants in both proceedings were substantial international companies based in the United States of America.

The infringement litigation

[7] The first plaintiff, Mr Peter Ward, is the registered holder of the patent. He is also the holder of the corresponding Australian patent. The second plaintiff, A-Ward Attachments Ltd (A-Ward), markets and sells a range of products in the demolition, scrap and general recycling industry. The managing director of A-Ward is Mr Simon Ward, the brother of the first plaintiff. A-Ward has developed a number of innovative new products that use the first plaintiff's quick hitch attachment. The first plaintiff is described as a "silent partner" in A-Ward. His main involvement is in managing Ward Demolition Ltd and other companies.

[8] Counsel for the plaintiffs in both of the proceedings was an Auckland barrister, Mr Michael Black. He was responsible for, and conducted, the proceedings from their inception in 2005 to the present time. In particular, he was acting during the interlocutory phases when the parties were formulating their pleadings (following applications for further and better particulars), obtaining discovery of documents, dealing with a protest to jurisdiction in the Genesis litigation and engaged in summary judgment proceedings in The Stanley Works litigation. It would be fair to say that the defendants in both proceedings were actively taking all available procedural points during the interlocutory phases. For the plaintiffs, Mr Black was seeking to bring the two cases to trial.

[9] The Genesis litigation was given a trial date for November 2006. After various defended interlocutory applications shortly before trial, the parties realised in late October 2006 that the case was not going to be ready for hearing. The trial was adjourned by consent. Shortly thereafter, on 14 November 2006, the plaintiffs signalled an intention to make an application to the High Court to amend the patent.

[10] The prospect of making an application to amend the patent first arose in October 2006. The unchallenged evidence of Mr Simon Ward was that the issue first emerged when Mr Black suggested that Mr Clive Elliott, an acknowledged expert in intellectual property issues, should be retained to assist on patent related

issues. The plaintiffs accepted the recommendation to instruct Mr Elliott (in October) and he provided advice to the plaintiffs on an application to amend in New Zealand. The plaintiffs first advised the defendants that an amendment to the patent specification would be sought during a judicial telephone conference on
5 14 November 2006. It was anticipated that the drafting could take some months to finalise.

[11] In fact, the proposed amendment was settled within 5 weeks and the application to amend was filed by 21 December 2006.

10 *The patent applications*

[12] Brief reference is required to the various patent applications filed by the plaintiffs in respect of the cutting or crushing apparatus. Provisional patent applications were filed in the Intellectual Property Office of New Zealand on
15 19 May 1999 and 29 June 2000. Later, an international-type patent search was carried out by IP Australia. Seven documents were cited with respect to novelty, inventive step and the general state of the technology area. The plaintiffs' advisers considered that none of these documents stood in the way of obtaining a valid patent.

[13] A Patent Co-operation Treaty (PCT) application was filed on 18 August
20 2000. Following this, an international search report for the PCT application was issued on 23 November 2000. This report cited the same seven documents as the report by IP Australia. A written examiner's opinion was issued by the international preliminary examination authority on 3 April 2001. Some six
25 documents were cited with respect to novelty and inventive step. The claims in the PCT application were amended in June 2001 and resulted in an international preliminary examination report stating that the amended PCT claims were "novel, inventive and had industrial applicability".

[14] In about March 2000, national phased patent applications were filed as a
30 result of the PCT application in Europe, Australia and New Zealand. The New Zealand patent is the subject of this amendment application. The plaintiffs sought examination of the European patent application. The United States patent application was granted as US patent No 6,655,054. The Canadian patent application No 2,382,124 was allowed. The Australian patent application was
35 granted as Australia patent No 770238, with the first examination report being issued on 21 October 2003.

Re-examination of Australian patent

[15] On 11 October 2005, Embrey Attachments Pty Ltd (Embrey) lodged a
40 request for re-examination of the Australian patent. This is of direct relevance to the application to amend the New Zealand patent. This led to a re-examination report being issued on 16 November 2005. On 17 March 2006, the plaintiffs' Australian patent and trademark attorneys filed a response to the re-examination report. The response included a series of claim amendments which, as well as
45 tidying up the specification, sought to emphasise that the invention was directed to a crushing or cutting attachment as opposed to an attachment as such. On 19 May 2006, IP Australia advised that leave to amend the Australian patent had been granted and publication would follow.

[16] The time for third parties to file an opposition to such amendments of the
50 Australian patent expired on 8 September 2006. Prior to that date, Embrey lodged an opposition. On 7 September 2006, The Stanley Works also filed a notice of

opposition. It was not until 27 November and 1 December 2006 respectively that the statements of grounds of opposition were filed by Embrey and The Stanley Works.

[17] Mr Murphy, the New Zealand patent attorney for the plaintiffs, appreciated that it could take some time before there was a response from the Australian examiner to the notices of opposition and the documents sighted by the opponents. By this time, New Zealand patent No 517734 had been granted. This followed an examination report issued on 3 May 2002. No prior art was raised and no other objections were raised against the claims. The notice of acceptance was issued on 3 September 2002 and the application was subsequently granted.

[18] The prior art cited in the re-examination of the Australian patent included an English language abstract of a Japanese patent, a Dutch language copy of a Dutch patent and a United States patent. Mr Murphy's assessment, albeit that he did not have direct responsibility for the international patent applications, was that such prior art was not considered relevant to the claims of the plaintiffs' patents. Mr Simon Ward was of the view that the New Zealand patent could not seriously be challenged for lack of novelty.

[19] Mr Murphy also confirmed in his evidence, which I accept, that the issue of amendment in New Zealand occurred first in October 2006 when Mr Elliott was instructed by the plaintiffs. Mr Elliott discussed with Mr Murphy the progress of the Australian re-examination and the speed with which the plaintiffs could expect to have the amendment claims approved in Australia. Despite the desirability of awaiting the outcome of the Australian re-examination, the need for making an application to amend the New Zealand patent was then addressed.

[20] After further amendments to the Australian patent were proposed by the patentee (consolidated into a new application on 19 February 2008) leave to amend was granted by IP Australia on 15 August 2008. Notification of the re-examination concluded on 14 January 2009 and the amendments were subsequently advertised in February 2009.

Statutory provisions

[21] The application to amend is made under ss 39 and 40 of the Act. The sections relevantly provide:

39 Amendment of specification with leave of Court

(1) In any action for infringement of a patent or any proceeding before the Court for the revocation of a patent, the Court may, subject to the provisions of section 40 of this Act, by order allow the patentee to amend his complete specification in such manner and subject to such terms as to costs, advertisements, or otherwise, as the Court may think fit; and if in any such proceedings for revocation the Court decides that the patent is invalid, the Court may allow the specification to be amended under this section instead of revoking the patent.

...

40 Supplementary provisions as to amendment of specification

(1) After the acceptance of a complete specification, no amendment thereof shall be effected except by way of disclaimer, correction, or explanation, and no amendment thereof shall be allowed, except for the purpose of correcting an obvious mistake, the effect of which would be that the specification as amended would claim or describe matter not in substance disclosed in the specification before the amendment, or that any claim of the specification as amended would not fall wholly within the scope of a claim of the specification before the amendment.

(2) Where, after the date of the publication of a complete specification, any amendment of the specification is allowed or approved by the Commissioner or the Court, the right of the patentee or applicant to make the amendment shall not be called in question except on the ground of fraud; and the amendment shall in all Courts and for all purposes be deemed to form part of the specification:

Provided that in construing the specification as amended reference may be made to the specification as originally published.

...

The application to amend the patent

[22] The proposed amendments are set out in detail in Sch 1 to the application. The specifics of the amendment are of a relatively routine nature. They involve:

- (a) three additional distinguishing integers being introduced into claim 1, (the main/independent claim of the patent);
- (b) previous claim 5 being deleted to get rid of redundant subject matter;
- (c) clarifying amendments being made to previous dependent claims 7 and 9; and
- (d) certain other consequential amendments.

[23] Mr Murphy deposed that all but one of the amendments (which corrects an obvious error) involve the addition of limitations. Thus, the amendments are narrower than the earlier specification and are fairly based upon what came before. While the defendant parties reserve their position in terms of validity of the patent, they accept that the proposed amendments meet the requirements of s 40(1) of the Act.

[24] The parties also accept that the application to amend must be made and disposed of under s 39 of the Act while the infringement proceedings are on foot. This is the case here — the substantive proceedings have not progressed since the adjournment. The jurisdictional aspects of the application are therefore met and the remaining question is whether this is an appropriate case to exercise the discretion under s 39 of the Act.

Principles governing exercise of discretion

[25] The parties all accepted that the discretion is a wide one and that the factors relevant to its exercise are not to be applied rigidly. There is helpful guidance as to the applicable principles in the judgment of Aldous J (as he then was) in *Smith Kline & French Laboratories Ltd v Evans Medical Ltd* [1989] 1 FSR 561 at 569 (*Smith Kline*):

The discretion as to whether or not to allow amendment is a wide one and the cases illustrate some principles which are applicable to the present case. First, the onus to establish that amendment should be allowed is upon the patentee and full disclosure must be made of all relevant matters. If there is a failure to disclose all the relevant matters, amendment will be refused. Secondly, amendment will be allowed provided the amendments are permitted under the Act and no circumstances arise which would lead the court to refuse the amendment. Thirdly, it is in the public interest that amendment is sought promptly. Thus, in cases where a patentee delays for an unreasonable period before seeking amendment, it will not be allowed unless the patentee shows reasonable grounds for his delay. Such includes cases where a patentee believed that amendment was not necessary and had reasonable grounds for that belief. Fourthly, a patentee who seeks to obtain an unfair advantage from a patent, which he knows or should have known should be amended, will not be allowed to amend. Such a case is where a patentee threatens an infringer with his unamended patent after he knows or should have known of the need to amend. Fifthly, the court is concerned with the conduct of the patentee and not with the merit of the invention.

[26] The above statement was approved by Venning J in *Coory v Amcor Packaging (New Zealand) Ltd* (2004) 62 IPR 446. Further, the factors cited by Aldous J in *Smith Kline* are not to be applied mechanically and the discretion is not to be fettered by judge made rules: see *Hoechst Marion Roussel v Kirin-Amgen Inc* [2002] RPC 43 at 71–3 per Neuberger J. The court is required to exercise a genuine discretion.

[27] The approach to patent amendments may reasonably reflect a public interest in encouraging inventors. Thus, in *Ethyl Corporation's Patent* [1972] RPC 169, Salmon LJ stated (at 193–4):

Since, at any rate, 1949, the climate of opinion has changed. It is now generally recognised that it is in the public interest to encourage inventive genius. Accordingly the modern tendency of the courts has been to regard patent claims with considerably more favour than formerly.

[28] Further, a liberal approach to the discretion was re-affirmed in the recent decision of *Gambro Pty Ltd v Fresenius Medical Care South East Asia Pty Ltd* (1999) 48 IPR 625; [1999] FCA 1848, per Tamberlin J (at [86]):

[86] Moreover, the court does not approach the exercise of its discretion on an amended application in a manner hostile to amendment. A patentee who proposes an amendment with a view, on the one hand, to catching an infringement and on the other to steering clear of the prior art is not acting in a blameworthy manner: see *Mabuchi Motor KK's Patents* [1996] RPC 387 at 400.

[29] Some of the English authorities draw a distinction between a “deleting” amendment and a “rewriting” amendment. An example is *Vector Corp v Glatt Air Techniques Ltd* [2007] RPC 12 (*Vector Corp*) where Lewison J at 279 discussed the distinction as follows:

The courts have also drawn a distinction between a so-called “deleting” amendment and a so-called “rewriting” amendment. A deleting amendment is one that deletes invalid claims from a patent that contains some valid claims. A rewriting amendment is one that reformulates existing claims so as to validate them. In other words, absent the rewriting, the claim is invalid. The discretion, it is said, is more likely to be exercised in favour of the former kind of amendment than the latter.

[30] A further factor is whether the applicant has by its conduct abused a monopoly, an issue relevant to delay in seeking to amend or “covetous claiming”: see *Kimberly-Clark Worldwide Inc v Procter & Gamble Ltd* [2000] RPC 422 (CA) at 436; [1999] All ER (D) 1310 (*Kimberly-Clark*). Amendment will not be allowed where an applicant seeks to obtain an unfair advantage from a patent where it is known or ought to have been known that an amendment was required. These issues were also addressed by Lewison J in *Vector Corp* at 279–80 as follows:

The rationale underlying the court's discretion to refuse permission to amend is “the duty of the court to protect the public from abuse of monopolies”. Where a patentee has claimed a monopoly over an area that is unjustifiably wide, he may have deterred research and experiment that would have been carried out but for his unjustified claim. That is against the public interest. Where, however, there has been no abuse of a monopoly, there would seem to be no reason to refuse an amendment in order to protect a patentable invention that would otherwise be unprotected.

It is in that context that the conduct of the patentee is relevant. If he has persisted in defending or asserting claims that he knows are unjustifiably wide, he may be guilty of what in the traditional (but rather archaic and moralistic) language patent lawyers call “covetousness” or “covetous claiming”. The implication is that the patentee is claiming

to own something that belongs to someone else (e.g. the public). Likewise, if he has delayed too long in seeking to amend, he may have effectively persisted in maintaining claims that he knows are too wide.

5 [31] With respect to the claim of covetousness by the patentee, the decision of Jacob J in *Re Mabuchi Motor KK's Patent* [1996] RPC 387 is instructive. In a case involving deletion of claims, Jacob J at 398 considered the question for decision as follows:

10 ... whether there are very compelling reasons for refusal of the amendment. I must consider all the facts, including both the patentees' conduct in obtaining the claims in the first place and their conduct thereafter. I must consider also the effect or potential effect on the public at large ...

I begin by observing that Mabuchi have been completely open about all relevant circumstances.

15 [32] The test for covetousness was described at 399 in the following terms:

Now I am sure Mr Morita is not satisfied with his performance in this case (though mistranslation undoubtedly contributed to the position which was reached). But even grave error is not the same thing as deliberately trying to get a monopoly to which you know you are not entitled — true covetousness. Mr Morita was at no time trying to do that. He was sincerely trying to do the best for his client. Deliberately obtaining an invalid patent never crossed his mind for a moment.

20 [33] Further guidance on covetousness is to be found in *Imperial Chemical Industries Ltd (Whyte's) Patent* [1978] RPC 11 at 22 (*Imperial Chemical*), per Graham and Whitford JJ:

25 It is also vital to appreciate that a charge of covetousness, if it is to be successful, must involve proof to the satisfaction of the court that the patentee has knowingly and deliberately obtained claims of unjustified width. Such was evidently the view taken by Simonds J, in *Howlett's* case and he obviously considered that the patentees there were asserting a right to something to which they knew they were not legally entitled. If such is proved to the satisfaction of the court, it is no doubt correct as a matter of discretion to refuse amendments limiting the claim on the basis that the court will not assist a wrongdoer.

30 [34] The case of *Wilkinson Sword Ltd v Gillette Industries Ltd* [1975] RPC 101 is relevant on two aspects related to covetousness. First, Graham J discussed the patentee's conduct. The judge emphasised the importance of considering the conduct of the applicant, including whether it was genuine.

[35] Second, Graham J discussed detriment (at 104):

40 It is also very important that no evidence was offered by the defendants. The opponents did put in evidence, but this evidence makes no mention of they themselves or anyone else in the trade having been delayed or deterred from coming on to the market by reason of the excessive breadth of the unamended claims. There was therefore here no evidence of any discussions in the past between the patentees and the defendants or any other member of the trade as to the breadth and scope of the unamended claims from which it might be inferred that the patentees were deliberately trying to maintain an improperly widely drafted claim as a weapon or deterrent.

45 [36] A further issue concerns possible delay in filing the application. The principles applicable to delay in applying for amendments were addressed by Lewison J in *Vector Corp* at 282:

50 In cases where delay is alleged, there may be a difference according to whether the opponent or the public has suffered detriment as a result of the delay. If detriment is

established, then the permissible period of delay may be shorter than in a case where no such detriment has been established. In *Matbro Ltd v Michigan (Great Britain) Ltd* [1973] RPC 823 at 833 Graham J said:

“It was I think accepted by all parties that mere delay is not, of itself, necessarily sufficient to justify refusal of amendment. There must have been or be likely to be some detriment to the respondents or to the general public caused by such delay before it can be an effective bar to relief. Such detriment will normally in the case of respondents be the subject of evidence. In the case of the general public there may also well be evidence present from which the court can draw an inference of detriment, but such an inference may, it seems to me, also be drawn by the court without evidence in a proper case.”

Moreover, as Aldous J pointed out in *Smith Kline*, a lapse of time during which the patentee knows about the prior art in question but believed, on reasonable grounds, that his patent was valid will not count as unreasonable delay, if it counts as relevant delay at all.

What is an acceptable period of delay is plainly a question of fact; and will depend on all the circumstances.

[37] Finally, it is for the patentee to establish that the amendment ought to be granted. The patentee must make full disclosure of all relevant matters: see *Smith Kline* at 569. As part of the disclosure requirements, the patentee must place before the court the true reasons for the amendment: see *M-Systems Flash Disk Pioneers Ltd v Trek 2000 International Ltd* [2008] RPC 18 at 105. It follows that the court will be concerned with the conduct of the applicant and not with the merit of the invention.

The hearing

[38] The parties prepared a common bundle for the hearing comprising some 792 pages of documents. A further bundle of five documents was presented by counsel for The Stanley Works. They were documents arising in the Genesis and The Stanley Works litigation.

[39] Counsel required Mr Murphy to be called for cross-examination on his two affidavits dated 13 April 2007 and 6 June 2007. Mr Murphy was cross-examined by counsel for both Genesis and The Stanley Works. It is convenient to record here that I found Mr Murphy to be a credible and reliable witness.

Submissions for the plaintiffs

[40] Mr Elliott for the plaintiffs submitted that there were three important issues to be considered:

- (a) Are the grounds put forward to justify the alleged lapse of time before the application to amend the Ward patent reasonable?
- (b) Has the delay caused detriment to the respondents or to the general public?
- (c) Was there covetousness or bad faith in the drafting of the patent which could impact on the court’s discretion?

[41] On the question of delay, Mr Elliott submitted that delay is only determinative of an application for amendment where it causes detriment to the respondents or to the general public: see *Matbro Ltd v Michigan (Great Britain) Ltd* [1973] RPC 823 at 833–4. He submitted that here the respondents were unable to assert any or sufficient detriment either to themselves or to the

general public arising from the timing of the filing of the application for amendment. This was not a situation where the plaintiffs have abused a monopoly.

5 [42] Mr Elliott contended that there was in fact no relevant delay. This is because the amendment in New Zealand was necessarily connected with the Australian re-examination proceedings. Mr Elliott referred to Mr Simon Ward's unchallenged evidence in April 2007 that the plaintiffs have:

10 Acted as soon as it became apparent that it might be prudent to do in New Zealand what we were seeking to do in Australia, even though that process is still underway and the outcome not certain, particularly as it makes sense to attempt to have the claims in the two countries reasonably consistent.

15 [43] Mr Elliott submitted that the timing for the filing of the amendment application had been fully explained by Mr Murphy on sound legal and practical grounds. Therefore, any contention that there was unreasonable delay could not be sustained. Further, Mr Elliott noted that it was only on 14 January 2009 that the first plaintiff was advised by IP Australia that the issues raised in the re-examination report had all been overcome and that the re-examination had been concluded.

20 [44] On the question of bad faith or covetousness, Mr Elliott submitted that this could only influence the court's discretion where the patentee has knowingly and deliberately obtained claims of undue width: see *Polytherm Industries Ltd v Dux Engineers Ltd* (unreported, HC AK, CL 32/96, 31 October 1997). In that case, Paterson J concluded that the court should only refuse to allow the amendment on the grounds of covetousness or delay where there are compelling reasons to do so.

25 [45] Mr Elliott submitted that covetousness did not apply in this case because the first plaintiff has not deliberately drafted the patent too widely. Mr Elliott pointed to the evidence of Mr Murphy that he believed that the known prior art was deemed irrelevant and that relevant prior art was not known. Mr Elliott also noted that the evidence of Mr Simon Ward regarding lack of novelty was not challenged by the respondents.

30 [46] Mr Elliott emphasised the requirement in *Imperial Chemical* that a charge of covetousness may only be proved by showing the patentee (or his agent) acted knowingly and deliberately and submitted that this was not the case here.

Submissions for the respondents

35 [47] Mr Arthur for The Stanley Works submitted that it was an important principle that any amendment must not broaden the claim. He submitted that the court should treat the application as relating to re-writing and should therefore disregard the law on deletions. Accordingly, Mr Arthur submitted that the court's approach should be tough on any attempted re-writing and the conduct of the patentee and its agent should be subjected to careful scrutiny.

40 [48] Mr Arthur submitted that in the case of re-writing, a potential unfairness arises to infringers. Re-writing would also have a consequential impact on the public. He submitted that there was a clear risk of a monopoly by the applicant. He stressed the public interest factors referred to in *Kimberly-Clark*

45 [49] In terms of delay, Mr Arthur referred to the statement of the principles in *Vector Corp*. He submitted that there was a considerable period of time when the Australian re-examination was being conducted and the plaintiffs, through their

counsel in the New Zealand litigation, were pursuing the progress of the litigation vigorously, to the detriment of the respondents.

[50] Mr Arthur submitted that the time should be taken from where the patentee or the agent knew about the prior art or, ought reasonably to have appreciated that the prior art caused a problem for the prior patent claim. He accepted that no timeframe is stipulated in s 39 of the Act and that the issue of delay is essentially case specific and dependent on the applicable facts. Mr Arthur submitted that the patentee should move as soon as was reasonably possible in all the circumstances.

[51] A further issue raised by the respondents was whether the applicant had candidly disclosed all material facts to the court. A related point was whether the applicant had adequately explained the reasons for the delay. In this regard, counsel was critical of the role of the plaintiffs' litigation counsel in New Zealand, observing that there was no affidavit and no waiver of privilege in this regard.

[52] Mr McLeod for Genesis adopted the submissions made on behalf of The Stanley Works. He then addressed aspects of the chronology and the facts relevant to the legal issues identified by Mr Arthur.

Discussion

[53] First, it is necessary to discuss the distinction between a deleting amendment and a rewriting amendment referred to by Lewison J in *Vector Corp*. Lewison J considered that the court is more likely to exercise its discretion to allow an amendment in the case of deleting amendments rather than rewriting amendments. This is because rewriting may lead to a competitor being faced with a claim in respect of which he or she could not have foreseen the precise scope. In addition, a patentee may be able to rewrite a claim with an eye to potential infringement by a known product or process. In this case, Mr Arthur argued that the amendments are in the form of rewriting and not deletion and thus posed a potential unfairness to infringers.

[54] However, all counsel accepted that the court both had jurisdiction under s 39 of the Act to make the order sought and also that the amendments were disclaimers and a correction under s 40. In the second affidavit of Mr Murphy, he carefully described the nature of the amendments sought. He stated that the amendments were all by way of disclaimer, except for one by way of correction. Mr Murphy elaborated that the amendments are by way of disclaimer because they include additional features that must be employed for infringement and result in a narrower claim. Mr Murphy was not challenged in cross-examination on the point of whether the amendments were rewriting as opposed to deletions. I accept Mr Murphy's evidence and do not regard the amendments as rewriting the claim. I find that the amendments sought are deletions and comply with the requirements of s 40 of the Act.

[55] This is not a case where there has been inadequate disclosure by the applicant. I am satisfied that the applicant has been entirely frank and open about the circumstances relevant to the application to amend. The key executive for the applicant was Mr Simon Ward. He explained fully the circumstances leading to the filing of the application. In 2006, the litigation in New Zealand was progressing with Mr Black as counsel. The re-examination in Australia was being considered by IP Australia. The respondents declared their hand as opponents in September 2006. It thereupon became clear that no prompt outcome of the re-examination was likely.

[56] There is no doubt that the first plaintiff had modest financial resources. In terms of managing and developing its intellectual property portfolio, I accept Mr Murphy's evidence that relatively speaking the first plaintiff was of "limited financial means". Therefore, he had to be careful about the inevitable professional costs associated with the re-examination in Australia (where it had retained a local patent attorney) and the litigation in New Zealand. It is entirely understandable that the first plaintiff was hoping to have the proposed amendments to the patent considered and approved by the Australian examiner and then use those as the basis for further applications to amend in other jurisdictions, including New Zealand.

[57] Counsel for the respondents challenged Mr Murphy on the use in his second affidavit of the word "elected" in relation to the timing of making the application to amend in New Zealand. I am satisfied that the first plaintiff was, through his patent attorneys both in Australia and New Zealand, looking at a practical and workable means of dealing with the amendment issue in the face of the re-examination in Australia. There is no suggestion that in early 2006 the plaintiffs knew of a need to apply for an amendment in New Zealand.

[58] In terms of the period prior to October 2006, I find that there was no knowledge of circumstances by the first plaintiff or Mr Murphy, which would have warranted an application to amend. In this regard, it is material that Mr Simon Ward was not challenged on his belief that the New Zealand patent could not be challenged for lack of novelty. Further, Mr Murphy's view, which I accept, was that the prior art cited in the Australian re-examination was not relevant to the plaintiffs' patents including the New Zealand patent.

[59] However, a problem developed by September 2006 when both Embrey and The Stanley Works opposed the advertised amendments. This led to Mr Elliott being instructed to consider the position in New Zealand. I accept the unchallenged evidence of Mr Simon Ward that, so far as the first plaintiff is concerned, the decision to look at whether an amendment of the New Zealand patent should be considered first arose once Mr Black suggested retaining Mr Elliott in October 2006 to advise on patent related issues.

[60] So far as litigation counsel is concerned, Mr Black was handling the New Zealand litigation. He is an experienced barrister and I am satisfied that there is no evidence to justify criticism being levelled at his conduct in terms of any perceived need for filing an amendment to the patent. Any criticism by the respondents' counsel of the plaintiffs' failure to call Mr Black as a witness is unsustainable in the light of the unchallenged evidence of Mr Simon Ward and the evidence of Mr Murphy, which I accept. By 14 November 2006, the court and the respondents had been informed of the intention to apply for amendment. The formal application followed on 21 December 2006. I find that, following the instruction of Mr Elliott, the first plaintiff acted entirely reasonably and promptly.

[61] With respect to the allegations of covetousness, I reject the respondents' arguments. I find that the first plaintiff was not deliberately trying to maintain a monopoly in respect of the New Zealand patent to which he knew he was not entitled. Further, this was not a case where the patentee has knowingly and deliberately sought to make patent claims of unjustified width. The first plaintiff was advised at all material times by competent patent attorneys both in New Zealand and Australia. Once it became clear that the Australian re-examination process was likely to become problematic after September 2006, the first plaintiff took prompt and reasonable steps to obtain advice in New Zealand regarding the

desirability of applying to amend the New Zealand patent. In all the circumstances of this case, the first plaintiff cannot be criticised for the approach he took. His conduct was a far cry from the cases involving covetousness and over-reaching.

[62] Counsel for the respondents contended that the delay should be assessed from the point where the patentee or his agent reasonably ought to have appreciated that prior art caused a problem to validity. But the authorities make it clear that the existence of a possible issue, or even a potential problem, is not sufficient. What is required is the formation by a competent professional of a view that the patent is invalid, coupled with a deliberate decision to hide that fact and/or fail to act. In other words, there must be both knowledge and deliberate action, or inaction. Further, delay does not start to run even where the patentee knows about the prior art in question but believes on reasonable grounds that the patent is valid.

[63] I am satisfied that on the facts of this case no considered view by a competent professional was formed until Mr Elliott became involved in October 2006. Further, this is not a case where there was a deliberate decision by the first plaintiff to hide the fact of an invalid patent and a failure to act. I find that there was neither the requisite knowledge nor deliberate action, or inaction, in this case. I also find that at all material times the patentee believed on reasonable grounds that the patent was valid.

[64] The respondents relied on the principles in *Instance v CCL Label Inc* [2002] FSR 27 (*Instance*). There, an amendment application by a patentee was refused. The delay in question was for a period of some 16 months. The filing of the amendment followed the obtaining of advice from counsel, but there was no satisfactory explanation for the delay. The present case is distinguishable on the basis that the first plaintiff moved within weeks of Mr Elliott being instructed and providing advice on the point.

[65] There is another feature distinguishing this case from *Instance*, namely, the patent agent had acknowledged that it was a close call as to whether the claim was valid. The judge accepted that his opinion was bona fide and was one that “a reasonable patent agent could hold”. On the topic of receiving advice, Pumfrey J stated:

In making decisions as to the need to amend on the basis of the advice received from a competent patent agent, a patentee cannot normally, in my judgment, be criticised. In this case, the advice was given by a competent professional advisor and received and considered by an individual who was not conversant with the details of the law relating to anticipation and who entrusted his professional advisors to provide the basis for decisions. I should be loathe in such circumstances to consider that the patentee had been guilty of culpable delay, the more so since the point upon which the need to amend terms is not free from difficulty.

[66] In this case, the first plaintiff through Mr Simon Ward clearly did not know of the need to amend. Further, Mr Murphy the patent attorney spoke openly about the approach of seeking to deal with the Australian re-examination first. Any filing in New Zealand would be precautionary at best, but he did not advise the first plaintiff of the need to do so. I agree with the submission on behalf of the plaintiffs that it was not put to Mr Murphy in cross-examination that his views and conduct in 2006 were in any way improper, or that he did not genuinely hold the views he expressed. Mr Murphy explained his reasoning carefully and consistently and I am satisfied that his approach cannot fairly be criticised.

[67] The respondents also relied on the decision of Laddie J in *Petrolite Holdings Inc v Dyno Oil Field Chemicals UK Ltd* [1998] FSR 190. But I am satisfied that that decision is also distinguishable. There, the equivalent patent had been declared invalid in the United States and an appeal dismissed.

5 The judge concluded that it was an abuse of process to sue on a patent “relying on claims which it knows full well are unmaintainable and then to decline to seek amendment of those claims in the proceedings or at least at an early stage in the proceedings”. I am satisfied that the first plaintiff believed that he held a valid New Zealand patent and was genuinely pursuing the infringement proceedings throughout 2006.

10 [68] In terms of timing, the respondents’ counsel suggested that an amendment should be filed in every country within 1 month of being notified of relevant prior art. I do not accept that this is an appropriate standard in the circumstances of this case. As Mr Arthur correctly acknowledged, s 39 of the Act does not contain a
15 timeframe for filing. Therefore, the court, when considering the exercise of its discretion, must apply the principles discussed above. For all the reasons already discussed, I am satisfied that there was no delay here of the type that would warrant the court exercising a discretion to decline the amendment.

20 [69] Having regard to the conduct of the first plaintiff and its advisors in relation to the timing of the application to amend the New Zealand patent, there can be no question of any detriment to the respondents or the New Zealand public. Furthermore, the respondents have not been able to show in the circumstances of this case that the public interest has been affected.

25 [70] I am also satisfied that the respondents have not shown, on the evidence, any specific prejudice.

Result

[71] For the reasons set out above, I am satisfied that the plaintiffs have established that the amendments sought ought to be granted. This is an
30 appropriate case to invoke the discretionary power to grant the amendments sought. Accordingly, the application by the first plaintiff to amend New Zealand patent No 517734 entitled “Cutting or Crushing Apparatus” pursuant to s 39 of the Act is granted and the patent is to be amended in accordance with the proposed amendments set out in Sch 1 of the application.

Costs

[72] The plaintiffs are entitled to costs. I anticipate that counsel should be able to agree on an appropriate amount of costs. If not, I will entertain a formal
40 application with the plaintiffs filing submissions in support. The respondents will have an opportunity to reply. A timetable can be fixed if required.

ANDREW BROWN QC
BARRISTER

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