


Restoration

Dr. Brian Whitehead, Stuart Jackson and Richard Kempner of Addleshaw Goddard report on the Court of Appeal's decision in *Halliburton Energy Services Inc v Smith International (North Sea) Limited*

The case

 *Halliburton Energy Services Inc v Smith International (North Sea) Limited*
The Court of Appeal
21 February 2006

The Court of Appeal's decision in *Halliburton Energy Services Inc v Smith International (North Sea) Limited* ([2006] EWCA Civ 185, unreported but available on www.bailii.org) provides a useful reminder that public policy issues will not allow the parties to patent litigation to settle their dispute by agreeing to reinstate an invalid patent. Dr. Brian Whitehead, Stuart Jackson and Richard Kempner of Addleshaw Goddard report

Halliburton, the patentee, issued proceedings for patent infringement against Smith International and two other companies. The defendants counterclaimed for revocation of the patents. Following the trial, Pumfrey J. held that the relevant patents were invalid on the grounds of insufficiency and unpatentable subject matter¹. Halliburton obtained leave to appeal, but before the appeal was heard the parties settled their dispute. Halliburton then requested the Court of Appeal to overturn Pumfrey J's finding of invalidity, thereby reinstating the patents. Smith International did not wish to take any further part in the appeal. The question therefore arose as to whether the Court of Appeal could overturn the decision at first instance without going into the merits, or whether a hearing was necessary, and if so how that hearing should be conducted.

Relevant principles

In general, the parties to an appeal can agree to a settlement, by way of a Tomlin Order, containing a wide range of agreed terms, even if those terms contradict the order made at first instance. For example, consider a hypothetical dispute concerning the entitlement of the claimant to payment under a contract, in which the first instance decision is that the payment is not

in fact due under the contract. If the claimant obtains leave to appeal, but settlement is reached prior to the hearing, the parties may enter into a Tomlin Order the schedule of which states that the defendant will make the relevant payment to the claimant. Such an Order can be obtained by consent without the need for any consideration of the merits of the appeal by the Court of Appeal. In such circumstances the Court of Appeal is not overturning the decision at first instance, but is merely facilitating the parties in entering into a new, enforceable, agreement.

an order allowing an appeal unless satisfied that the decision of the lower court was wrong. But, the appeal court may set aside or vary the order of the lower court with consent and without determining the merits of the appeal, if it is satisfied there are good and sufficient reasons for doing so. Where the appeal court is requested by all parties to allow an application or an appeal the court may consider the request on the papers. The request should state that none of the parties is a child or patient and set out the relevant history of the proceedings and the matters relied

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If the parties wish to obtain an order by consent stating that the decision at first instance should be set aside, a more formal approach is required. CPR 52.10(2) states that an appeal court has the power to “affirm, set aside or vary any order or judgment made or given by the lower court”. CPR 52.11(3) states that the appeal court will allow an appeal where the decision of the lower court was (a) wrong; or (b) unjust because of a serious procedural or other irregularity in the proceedings in the lower court. Practice Direction 13.1 to CPR 52 expands on these sections, stating:

- “The appeal court will not normally make

on as justifying the proposed order and be accompanied by a copy of the proposed order.”

In consequence, whilst the Court of Appeal will not “rubber stamp” a consent order which sets aside a decision at first instance, such an order may, in certain circumstances, be obtained without the need for a full hearing before the Court of Appeal. Setting aside a decision as between the parties is not, however, the same as overturning that decision as being wrong.

In cases involving the validity of patents, however, it may not be possible simply to set aside a decision as between the parties. The

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Appeals involving patents have ramifications beyond the interests of the parties to the appeal, as the validity or otherwise of the patent can potentially affect parties unconnected with the appeal

Comptroller is obliged, by statute², to maintain a register of patents, which is to comply with and to be kept in accordance with the rules laid down in section 32 of the Patents Act 1977. An order to the Comptroller to reinstate a patent, without a substantive review of whether the patent is in fact valid having taken place, sits uneasily with the Comptroller's obligations under this section. In particular, the validity or otherwise of a patent is of concern to the public at large, not just to the parties to the dispute, and it is arguable that it is not in the public interest for a patent to be reinstated without consideration of its validity.

The Court of Appeal's decision

After considering the above matters, the Court of Appeal held that it cannot restore a patent which has been held invalid by the court below unless that decision is shown to be wrong. Jacob LJ, giving the judgment of the Court, confirmed that the previous practice, under which the patent would be restored with a comment that it had not been considered by the Court of Appeal, was not appropriate. Although not expressly stated by Jacob LJ, this decision brings the Court of Appeal's approach in line with that of the Comptroller when a party to revocation

proceedings at the Patent Office withdraws from the proceedings. In such circumstances, both the Patent Office and the High Court have held that the Comptroller may nonetheless continue to pursue matters raised in the withdrawn application for revocation, if it is in the public interest to do so³.

Jacob LJ then went on to consider how the appeal hearing to consider the correctness of the first instance decision should be conducted, and held:

- the appeal would be held as a matter of substance, rather than as a mere formality
- the Comptroller could, if he wished, assist with the appeal hearing, but would not be obliged to do so
- if the Comptroller did choose to assist with the appeal hearing, his reasonable costs of doing so should be borne by the patentee
- it may be appropriate, in cases involving complex technical matters, for the court to have the assistance of a scientific adviser. The costs of such adviser should be borne by the patentee.

Summary

Appeals involving patents⁴ have ramifications beyond the interests of the

parties to the appeal, as the validity or otherwise of the patent can potentially affect parties unconnected with the appeal. The Court of Appeal's decision in *Halliburton* therefore provides a welcome confirmation that public interest matters must be taken into account by the courts when considering patent validity. ☺

Notes

- 1 (2006) R.P.C. 2
- 2 Patents Act 1977, s. 32
- 3 See for example *General Motors Corp (Turney & Barr)'s Application, Re* [1976] R.P.C. 659; *Abbott Laboratories (Chu's) Patent* [1992] R.P.C. 487; *R (on the Application of Ash & Lacey Building Products Ltd) v Comptroller-General of Patents, Designs and Trade Marks* [2002] R.P.C. 46.
- 4 Although the same principle might be thought to be applicable to trade mark oppositions, the practice of the Trade Marks Registry appears to be to allow the setting aside of a hearing officer's decision to uphold an opposition upon subsequent withdrawal of the opposition. See e.g. *QUORN HUNT Trade Mark (BL O-127-95, 29 April 2005)* and *Revocation Application No. 81755 in the name of Jailhouse Rock Rights Ltd (BL O-121-05, 15 March 2005)*. The correctness of this approach is now questionable in the light of the *Halliburton* decision.

About the authors

Dr. Brian Whitehead (near right) solicitor, holds an MA in chemistry (Oxford) and a PhD in biochemistry (Sheffield). Prior to becoming a solicitor, he worked as a research scientist and academic publisher in the Netherlands.

Stuart Jackson (middle right) solicitor and Director of Patent Litigation with Addleshaw Goddard, holds BSc (Imperial College) and MSc (Oxford) degrees in chemistry. Prior to becoming a solicitor, he worked in industry as a chemist in R&D for 17 years, and is a Chartered Chemist.

Richard Kempner (far right) Partner and National Head of Intellectual Property with Addleshaw Goddard, has acted extensively on cases involving pharmaceutical patents, including *BASF AG v SmithKline Beecham* and *Mayne Pharma v Teva*.



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