

Background

[2] Puredepth carries on business involving the design and licensing of displays for televisions and associated apparatus. It holds a patent number 541023 for a “backlighting system for display screen”.

[3] Puredepth commenced proceedings against NCP alleging infringement of its patent. It sought urgent injunctive relief preventing NCP from importing and dealing in New Zealand in direct backlighting systems and, in particular, from importing and dealing in the Konka branded LCD television range in New Zealand.

[4] LG’s components are used in the backlighting systems of Konka televisions.

[5] Puredepth’s interim injunction application was supported by a report from an electrical engineer, Mr Chaplin. Mr Chaplin analysed an LG backlight system in a 42 inch Konka television and concluded that all the integers of claim 1 of Puredepth’s patent were present in the Konka TV.

[6] At a preliminary hearing on 18 and 19 March 2010 Fogarty J raised whether LG and perhaps other component suppliers should be involved in the case. Puredepth maintained that the source of the components assembled by NCP into the alleged offending backlighting system was irrelevant. It filed a formal memorandum submitting it was not appropriate for LG to be joined to the proceedings.

[7] Fogarty J then issued a minute noting that, in light of Puredepth’s opposition, it would be appropriate for either NCP or LG to apply for LG to be added as a party under r 4.56 of the High Court Rules if that was LG or NCP’s wish. The Judge indicated that if an application was filed it would be heard at the beginning of the interim injunction hearing which was scheduled for 14 April 2010.

[8] LG made a formal application seeking to be joined as a defendant. Puredepth maintained its opposition.

[9] After hearing from counsel on 14 April Fogarty J made an order joining LG to the proceeding. In his reasons for doing so, the Judge said:¹

In my view there are therefore two bases upon which LG's presence before the Court is necessary within the standard of r 4.6(1)(b)(ii). They are that the judgment will, at the very least informally if not formally, contain a declaration as to the infringement or not of LG backlighting of the New Zealand patent, and the validity of the latter. Second, there is a cause of action which can be pleaded, and which would survive strikeout, against LG.

[10] Once joined, LG subsequently filed a statement of defence and counterclaim seeking revocation of Puredepth's patent.

[11] In the same decision the Judge declined to make the injunctive orders sought by Puredepth but required NCP to set up an escrow account or letter of credit together with a reporting system to record the units sold.

[12] Puredepth appealed against the joinder decision and also the Judge's refusal to make the injunctive orders it had sought.

[13] Before the hearing of the appeal Puredepth and NCP resolved all issues between them. They filed a memorandum to confirm the appeal would not proceed as against NCP.

[14] LG invited Puredepth to withdraw the appeal insofar as it related to the joinder on the basis it was moot, but Puredepth declined to do so.

Decision

[15] The order for joinder was made under r 4.56(1)(b)(ii) which reads:

Striking out and adding parties

(1) A Judge may, at any stage of a proceeding, order that—

...

(b) the name of a person be added as a plaintiff or defendant because—

¹ *Puredepth Ltd v NCP Trading* HC Auckland CIV-2010-404-974, 14 April 2010 at [15].

- (i) the person ought to have been joined; or
- (ii) the person's presence before the court may be necessary to adjudicate on and settle all questions involved in the proceeding.

[16] The wording of the rule makes it plain this appeal is against the exercise of a discretionary decision. Puredepth accepts the onus is on it to identify errors of substance or principle that justify this Court interfering with that decision.²

[17] Mr Elliott first submitted that Part 22 of the Rules provided a code for patent cases and that it “trumped” r 4.56. He referred generally to *Pfizer Ireland Pharmaceuticals v Eli Lilly & Co*³ to support this proposition. But *Pfizer* was directed at the issue of whether the general rules applying to pleadings applied (in particular the then r 130), given the specific rules and procedure adopted in patent cases. In the present case the patent rules are silent on the issue of joinder. There is no reason in principle to exclude the application of the general rule relating to joinder. In *Pfizer* itself the Full Court acknowledged that a number of the general rules of Court could apply to patent cases.

[18] Mr Elliott next submitted there were practical and tactical considerations which the Judge failed to take into account. First, Mr Elliott submitted that where a party such as LG is joined as a defendant, the burden of proof remains with the plaintiff, in this case Puredepth. By contrast, if LG was required to bring a separate proceeding to allege invalidity of Puredepth’s patent then it would bear the burden of proof. That submission overlooks that as Puredepth does not wish to pursue a claim against LG, indeed it wants to discontinue, the only extant issue will be LG’s counterclaim. Puredepth can discontinue even though the revocation proceeding will continue.⁴ The onus of proving that counterclaim will be on LG.

[19] Mr Elliott then referred to r 22.18 which provides that the respondent to an application to revoke a patent is entitled to begin and give evidence in support of the patent. He submitted that Puredepth has lost that tactical advantage with LG bringing the revocation application by counterclaim. Again, there is nothing in this

² *May v May* (1982) 1 NZFLR 165 (CA).

³ *Pfizer Ireland Pharmaceuticals v Eli Lilly & Co* [2006] 68 IPR 207 (CA).

⁴ High Court Rules, r 5.59.

point. It is open to Puredepth to seek directions from the High Court that, by analogy with r 22.18, it should be permitted to begin and give evidence in support of the patent when LG's counterclaim is heard.

[20] Mr Elliott next challenged the Judge's finding that Puredepth had a cause of action which could be pleaded against LG which supported joinder. Mr Elliott emphasised that Puredepth had no interest in pursuing a claim against LG and submitted Puredepth should not have been required to join LG when it did not wish to maintain a claim against it. While Puredepth filed an amended pleading recording LG as a defendant it did not plead a cause of action against it. However, even accepting that is Puredepth's position, it does not answer the second ground upon which the Judge considered joinder appropriate, that judgment on Puredepth's proceedings would at the very least informally, if not formally, contain a declaration as to the infringement or not of LG backlighting of the New Zealand patent.

[21] At the very least, if the injunction had been granted as sought by Puredepth the orders would have damaged LG's reputation with investors and customers in markets and stopped the distribution of LG's technology through the Konka television. To that extent, LG's rights would have been directly affected and joinder justified.⁵

[22] Further, in the application for joinder LG raised the following grounds:

- LG's backlight display technology was impugned by the patent infringement allegations and in affidavit evidence made and filed by Puredepth;
- If granted, Puredepth's interim injunction application would prevent the sale in New Zealand of Konka brand televisions containing LG's backlight display technology contrary to LG's commercial interests;
- LG was a "person interested" in the patent pursuant to s 41 of the Patents Act 1953 and intended to seek revocation of the patent on the

⁵ *Pegang Mining Co Ltd v Choong San* (1969) 2 MLJ 52.

grounds that, inter alia, the invention claimed in the patent was not novel and/or contains no inventive step.

[23] In response Puredepth argued:

- LG's backlight display technology was not impugned, it was merely involved as one of many component suppliers to the infringing TV.
- It was neither necessary nor appropriate for LG to join the proceedings whether to seek revocation of the patent or otherwise.

[24] Faced with those conflicting arguments, the Judge was entitled to err on the side of caution and join LG. It might well have been that ultimately, after a full hearing of the matter, the Court would come to the view that LG's interests were not impugned. But given the volume of material before him at the time of the joinder application Fogarty J could not have concluded that LG's interests could not possibly be impugned. He would need to have been satisfied that was the position, in order to reject the application for joinder. As it eventuated, the Judge did not feel able to make a definitive finding on the issue of a serious question between Puredepth and NCP. The appeal must fail for that reason alone.

[25] In addition, there is the further issue which the Judge referred to in the course of his decision, namely LG's expressed intention to file a counterclaim for revocation of the patent as enabled by s 70 of the Patents Act if joined as a defendant.

[26] Although the Judge did not rely on that issue as an additional reason for joinder, he could have. Where a party wishes to make application to the Court to revoke a patent under s 41 of the Patents Act (not being an application made in the course of a proceeding) it must do so by way of originating application.⁶ Where, however, there are extant proceedings, s 70 of the Patents Act permits a defendant in an action for infringement of a patent to apply, in accordance with the rules of Court,

⁶ High Court Rules, r 22.17,

by way of counterclaim for revocation of the patent. LG flagged its intention to do just that in its application.

[27] Mr Elliott conceded, both in his written and oral submissions, that in practical terms LG could have filed fresh proceedings and applied to consolidate the infringement and revocation actions, and ultimately it would have been difficult for Puredepth to resist that. Given that concession it is equally difficult for Puredepth to maintain its challenge to the joinder, which was a different procedural route to the same end. The joinder of LG was consistent with the objective in r 1.2 of the High Court Rules, namely the just, speedy and inexpensive resolution of proceedings before the Court.

[28] Mr Elliott finally submitted there was an issue as to LG's standing to bring the revocation proceedings. If there is an issue as to LG's standing it is a matter that can be pursued by way of strikeout application in the High Court proceedings. It would have arisen if LG had filed an originating application under r 22.17 – which Mr Elliott accepted LG could have done.

Summary

[29] None of the arguments advanced by Mr Elliott suggest to us that the Judge erred in principle or was wrong in exercising his discretion to join LG to the proceedings. On the material and information before the Court at the time, the order for joinder was inevitable.

Result

[30] The appeal is dismissed with costs to the second respondent. We certify for second counsel.

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