

**IN THE HIGH COURT OF NEW ZEALAND
WELLINGTON REGISTRY**

CIV 2009-485-1616

UNDER the Patents Act 1953
IN THE MATTER OF New Zealand patent application No 551348
AND
IN THE MATTER OF an appeal from the decision of the Assistant
Commissioner of Patents dated 27 July
2009
BETWEEN ANDREW JOHN CARDNO
Appellant
AND COMPUDIGM INTERNATIONAL
LIMITED
First Respondent
AND BALLY TECHNOLOGIES INC
Second Respondent

Hearing: 3 December 2009

Counsel: C S Chapman for the Appellant
J E Hodder SC and L James for the Respondents

Judgment: 3 December 2009

ORAL JUDGMENT OF MILLER J

[1] The question in this appeal from the Assistant Commissioner of Patents is whether the respondents have standing to bring a claim against the appellant under s 65(1) of the Patents Act 1953.

[2] That section gives the Commissioner jurisdiction to determine disputes between an “employer” and an employee, in respect of an invention made by the employee.

[3] Compudigm and Bally have brought such a claim against Mr Cardno, who was an employee of Compudigm when he and two others invented a software programme which for my purposes can simply be called Gaming Power. A patent application was filed in November 2006, naming Compudigm and the three employees as applicants.

[4] The other two employees later assigned their rights to Compudigm, but Mr Cardno did not. He says he is in an employment dispute with Compudigm.

[5] On 24 October 2007 Compudigm assigned part of its rights to the programme to Bally. The assignment recorded that Compudigm owned the intellectual property and assigned a joint, equal and undivided right, title and interest in it to Bally.

[6] On 7 March 2008 Compudigm and Bally entered into a “pre-payment agreement”, cl 1.03 of which assigned to Bally Compudigm’s causes of action of any sort connected with intellectual property created by or beneficially vested in or owned by Mr Cardno:

1.03 Assignment of Claims. Compudigm unconditionally and irrevocably assigns to Bally any and all causes of actions or rights to institute and maintain legal proceedings (whether in its own name or in the name of Compudigm) of any sort which are or may be in any way connected with the subsistence, validity and/or ownership of any Intellectual Property created by and/or beneficially vested in or owned (whether solely or jointly) by Andrew Cardno, or by any person associated with Andrew Cardno (as associated person is defined in the Securities Regulations 1983 of the Country of New Zealand). For the purposes of this clause only “Intellectual Property” means all statutory, common law and proprietary intellectual property rights, including know-how, layout designs, confidential information, copyright works, designs, inventions, patents, plant varieties, trade marks and all other rights as defined by Article 2 of the Convention of July 1967 establishing the World IP Rights Organization, whether registered or unregistered (including applications for such rights) as may exist anywhere in the world at any time. For the avoidance of doubt, nothing in this Agreement shall constitute the assumption of Bally of any liabilities or obligations of Compudigm whatsoever.

[7] It appears that Bally acquired the balance of Compudigm’s interest in Gaming Power from the receivers of Compudigm on 21 November 2008. Compudigm is now in liquidation.

[8] Bally has sought to have the patent assigned to it, but the New Zealand Intellectual Property office has declined to do so without consent or an assignment from all of the registered owners, who still include Mr Cardno.

[9] Mr Cardno's position is that Bally has no standing to bring the claim because it was never his employer, while Compudigm no longer has standing to do so because it has assigned all its interest to Bally. The first proposition rests upon the term "employer" in s 65(1), and the second on the phrase "the rights of the parties" in respect of the invention. In short, Mr Cardno maintains that the right to bring a claim under s 65(1) is not capable of assignment.

[10] That is not normally the position normally taken by the law. On the contrary, property rights may be freely assigned in law or in equity and those rights may be enforced by the assignee, albeit that it may be required to join the assignor. Indeed Mr Cardno does not dispute that as an employee he was able to assign his own rights. He points to no prohibition on assignment. Far from it, s 63(5) provides that the rules of law applicable to the ownership and evolution of personal property generally shall apply in relation to patents as they apply in relation to other choses in action. And s 64(1) provides that where 2 or more persons are registered as grantee or proprietor of a patent, the Commissioner may give such directions as to the sale or lease of the patent as he thinks fit. Those provisions strongly indicate, as Mr Hodder submits, that questions of assignment are properly dealt with by the Assistant Commissioner.

[11] Further, the policy reasons that Mr Chapman identifies – principally a concern that strangers to the employment relationship may end up in such disputes – are weak. The rights in issue in such a claim arise out of an employment relationship, but that is incidental. They are rights to intellectual property. The short point in answer to these claims is that s 65(1) allows the Commissioner to determine a "dispute" in respect of an invention. There is such a dispute; Mr Cardno denies not only that he holds his interest as trustee for Compudigm, but also that it lawfully transferred all of its right to Bally.

[12] There can be no doubt that the causes of action that Compudigm reported to assign to Bally included the right to bring an application under s 65(1). Accordingly, there remains a dispute between Compudigm and Mr Cardno in respect of the invention.

[13] For these reasons, which generally correspond to those of the Assistant Commissioner in his decision of 27 July 2009, the appeal is dismissed.

[14] The respondents will have costs on a 2B basis with provision for one counsel.

Miller J

Solicitors:

Terry IP, Wellington for the Appellant

Chapman Tripp, Wellington for the Respondents