

**IN THE COURT OF APPEAL OF NEW ZEALAND**

**I TE KŌTI PĪRA O AOTEAROA**

**CA148/2023  
[2024] NZCA 538**

**BETWEEN**

**ANURA LIMITED (FORMERLY ORION  
MARINE LIMITED)**

**First Appellant**

**DARREN PAUL LEYBOURNE**

**Second Appellant**

**VLADAN ZUBCIC**

**Third Appellant**

**SMUGGLER MARINE LIMITED**

**Fourth Appellant**

**DAVID JEFFREY PRINGLE**

**Fifth Appellant**

**PAULINE SIGNA PRINGLE**

**Sixth Appellant**

**AND**

**SEALEGS INTERNATIONAL LIMITED  
Respondent**

**Hearing:** 16 May 2024

**Court:** French, Muir and Campbell JJ

**Counsel:** H G Holmes for Appellants  
G F Arthur KC for Respondent

**Judgment:** 22 October 2024 at 10.30 am

---

**JUDGMENT OF THE COURT**

---

**A The appellants' application for leave to adduce further evidence is declined.**

**B The appeal is allowed.**

- C An order is made striking out:**
- a. Sealegs' counterclaim dated 17 February 2021, except for that part of the counterclaim that relates to alleged sales of the Strata 700 boat.**
  - b. Paragraphs 30.4, 37.4, 48.1, 49.1, 50.1, 51.1, 52.2, 53.2 and 55–59 of Sealegs' statement of defence dated 17 February 2021.**
- D Sealegs is to pay costs to the appellants for a standard appeal on a band A basis and usual disbursements.**
- 

## **REASONS OF THE COURT**

(Given by Campbell J)

### **Introduction**

[1] The respondent (Sealegs) makes boats with amphibious systems. The first appellant (Orion) makes amphibious systems for attaching to boats. The fourth appellant (Smuggler) makes boats, including boats that attach Orion's amphibious systems.

[2] In 2016, Sealegs brought a proceeding against Orion and Smuggler alleging infringement of copyright in the amphibious systems that Orion was making and supplying and that Smuggler was attaching to its boats. When bringing that proceeding, Sealegs obtained an interim injunction preventing Orion and Smuggler from making or selling the amphibious systems. Sealegs gave the usual undertaking as to damages.

[3] Sealegs initially said it would also claim breach of patent. In due course Sealegs was directed that, if it was going to amend its pleading to add a claim for breach of patent, it do so by 30 June 2017. Sealegs chose not to do so. It confined its proceeding to a claim for breach of copyright.

[4] Sealegs succeeded in its copyright claim in the High Court,<sup>1</sup> but that judgment was set aside by this Court.<sup>2</sup> This Court noted that Sealegs had decided not to add a patent claim but to pursue “simpler” copyright infringement, leaving the patent to be relied on in the United States and other jurisdictions should litigation arise there.<sup>3</sup>

[5] In 2020, Orion, Smuggler and the other appellants brought a proceeding to enforce Sealegs’ undertaking as to damages. Sealegs filed a statement of defence and counterclaim alleging that the appellants had breached Sealegs’ patent. Sealegs says that, owing to those patent breaches, no amount is owing on its undertaking.

[6] The appellants applied to strike out the counterclaim and those parts of the statement of defence that allege breach of patent. The appellants say that the patent claim could and should have been pursued with the copyright claim, and that it is therefore a *Henderson v Henderson*<sup>4</sup> abuse of process for Sealegs to now make the patent claim.

[7] Associate Judge Sussock declined the strike-out application.<sup>5</sup> With the leave of this Court,<sup>6</sup> the appellants appeal.

[8] The key issue on the appeal is whether Sealegs should have brought the patent claim in or with its copyright proceeding, such that it is an abuse of process for Sealegs to now bring that claim.

### **Factual background**

[9] This factual background is adopted from the Judge’s overview.<sup>7</sup>

[10] Sealegs makes amphibious boats. Its boats have three-wheeled attachments that allow the boats to be driven between land and water.

---

<sup>1</sup> *Sealegs International Ltd v Zhang* [2018] NZHC 1724.

<sup>2</sup> *Zhang v Sealegs International Limited* [2019] NZCA 389, [2020] 2 NZLR 308 [copyright judgment].

<sup>3</sup> At [42].

<sup>4</sup> *Henderson v Henderson* (1843) 3 Hare 100, 67 ER 313 (Ch).

<sup>5</sup> *Orion Marine Ltd v Sealegs International Ltd* [2021] NZHC 3207 [strike-out judgment].

<sup>6</sup> *Orion Marine Ltd v Sealegs International Ltd* [2023] NZCA 315.

<sup>7</sup> Strike-out judgment, above n 5, at [16]–[27].

[11] Mr Bryham developed the idea for Sealegs' amphibious system. He incorporated Sealegs in May 2000.

[12] Mr Leybourne, the second appellant, joined Sealegs in April 2004. He was initially involved in the construction, repair and servicing of Sealegs' boats but in 2006 shifted from day-to-day operational work to project management. Mr Zubcic, the third appellant, joined Sealegs in February 2008 as a mechanical and design engineer.

[13] Mr Leybourne left Sealegs on 30 November 2011. He set up Orion on 28 September 2012, together with Mr Zhang, a director of a Chinese company that manufactured and marketed amphibious craft known as "Surfcon". Their intention was to design and manufacture a new amphibious system, with Mr Zhang providing the funding as the sole director and shareholder.

[14] On 2 February 2013, Mr Zubcic resigned from Sealegs and accepted an offer of employment at Orion. He started work on the design and development of Orion's new amphibious system.

[15] The early years of Orion were intertwined with Sealegs, as Sealegs engaged Orion to assist with various projects, including what was known as the SL100 project. This project had a "stop start" history owing to funding difficulties.

[16] By the end of 2014, Orion had designed and built its own amphibious system. It was a four-wheeled system known as the S25-4WD.

[17] At the April 2015 Shanghai Boat Show, Mr Bryham viewed a Surfcon craft fitted with a retractable three-leg amphibious system. Mr Bryham considered it to be a substantial copy of the Sealegs system. A discussion took place between Mr Bryham and Messrs Leybourne and Zhang about whether the two companies and their products could exist together in the market. Mr Bryham said that Mr Leybourne told him that the Surfcon craft would not be sold outside the Chinese market. That information, together with his view that the Surfcon craft looked inferior to the Sealegs system, were factors leading to Mr Bryham's view that Sealegs should endeavour to negotiate

a distribution agreement notwithstanding his concerns about copyright infringement. It appears that such an agreement was never reached.

[18] Smuggler is owned and operated by Mr and Mrs Pringle, the fifth and sixth appellants. Smuggler is a boat manufacturing business whose product range includes rigid inflatable boats (RIBs) between four and 11 metres in length.

[19] Sealegs and Smuggler entered into an agreement in 2011 or 2012 for Sealegs to supply its amphibious systems together with technical drawings and instructions to enable Smuggler to install the systems on the hulls of its craft. Difficulties arose in the companies' relationship. In early 2015, Smuggler began looking for an alternative to the Sealegs system.

[20] In around April 2015, Mr Pringle and Mr Leybourne discussed the possibility of Orion producing a three-wheel drive amphibious system for installation in the Smuggler boats in place of the Sealegs system. However, Orion was not in a position to do so immediately because it was committed to the completion of the SL100 project for Sealegs.

[21] In October 2015, in anticipation of Orion's work on the SL100 for Sealegs coming to an end, Mr Leybourne resumed discussions with Mr Pringle regarding the three-wheel drive system Smuggler had sought. By mid-2016, Orion was invoicing Smuggler for the supply of its S25-3WD amphibious system. Smuggler then announced in the September 2016 issue of the *Boating New Zealand* magazine that it would be unveiling a special craft at the Auckland On Water Boat Show on 29 September 2016.

[22] A patent attorney engaged by Sealegs visited Smuggler purporting to be interested in purchasing a Sealegs-type boat. Mr Pringle showed him photos of the new Smuggler boat and told him that the amphibious system had been designed by one of the head designers from Sealegs who had left Sealegs to design the new system.

## **Sealegs' proceeding against the appellants**

[23] It will be necessary, later in this judgment, to describe in more detail the course of Sealegs' proceeding against the appellants. For present purposes, the following outline will suffice.

[24] On 9 September 2016, Sealegs commenced a proceeding in the High Court claiming that the appellants had infringed its copyright and its registered design and misused confidential information. Sealegs applied for an interim injunction restraining the appellants from displaying or selling the S25-3WD pending a full trial of its claim. Sealegs gave the usual undertaking as to damages.

[25] The interim injunction application was heard by Peters J on 28 October 2016.<sup>8</sup> Sealegs' then counsel filed submissions that said the trial was expected to last four to six weeks, as Sealegs would issue a separate proceeding based on patent infringement which the appellants would likely seek to have heard at the same time.

[26] On 12 December 2016, while judgment on the interim injunction application was still reserved, Sealegs filed a memorandum requesting the allocation of a substantive trial. Counsel said the "copyright infringement trial" would "last for an estimated 4 weeks". The Court promptly allocated a four-week trial commencing on 25 September 2017.

[27] On 19 December 2016, Peters J granted the interim injunction sought by Sealegs.<sup>9</sup> Peters J found there was a serious issue to be tried. She held that the balance of convenience lay with Sealegs, as a "standstill" for the "relatively short period to trial" was the most prudent course.<sup>10</sup> The appellants were, from that date, prevented from manufacturing or selling the S25-3WD amphibious system or any similar product.

---

<sup>8</sup> In the meantime, Sealegs had applied, unsuccessfully, to restrain the appellants from displaying or selling the S25-3WD pending the hearing of its application (its intention having been to restrain exhibition at the Auckland Boat Show).

<sup>9</sup> *Sealegs International Ltd v Zhang* [2016] NZHC 3143.

<sup>10</sup> At [44].

[28] On 30 May 2017, Woolford J made timetable orders by consent, including that Sealegs was to file an amended statement of claim “remedying current deficiencies and pleading any claim as to breach of patent” by 30 June 2017.

[29] Sealegs filed an amended statement of claim on 30 June 2017. It did not plead a claim for breach of patent.

[30] The trial, before Davison J, commenced on 2 October 2017, a week later than its original 25 September 2017 date.

[31] In a judgment dated 12 July 2018, Davison J found that the appellants had infringed Sealegs’ copyright but not its registered design. He granted injunctions restraining the appellants from producing, displaying or selling the S25-3WD and S25-4WD amphibious systems, either as a separate kit or installed on a boat. He ordered that the interim injunction granted by Peters J was no longer in force.<sup>11</sup>

[32] The Court of Appeal allowed the appellants’ appeal on 27 August 2019. Sealegs sought leave to appeal to the Supreme Court. Leave was declined on 13 December 2019.<sup>12</sup>

### **The appellants’ proceeding claiming damages on the undertaking**

[33] In December 2020, the appellants commenced a proceeding claiming damages on Sealegs’ undertaking for the period during which they say they were wrongly enjoined. The appellants seek damages of \$6,823,000 (and additional damages yet to be quantified) plus interest and costs.

[34] Sealegs filed a statement of defence and counterclaim. In its defence it pleads, among other things:

- (a) Any production, display or sale of the Orion amphibious system known as S25-3WD or S25-4WD or Smuggler boats with the Orion

---

<sup>11</sup> *Sealegs International Ltd v Zhang*, above n 1, at [472]–[477].

<sup>12</sup> *Sealegs International Ltd v Zhang* [2019] NZSC 147.

amphibious system during the period of the injunction would have been a breach of Sealegs' NZ Patent 526705 (the patent).

- (b) In deciding whether to grant a remedy under the undertaking as to damages, no compensation should be ordered for restrained conduct that would have been patent-infringing and therefore illegal (the illegality defence).
- (c) The damages that would have been payable by the appellants to Sealegs for patent infringement is a cost of manufacture that needs to be accounted for in calculating damages under the undertaking as to damages (the cost of manufacture defence).

[35] In its counterclaim, Sealegs pleads that the appellants infringed and continue to infringe the patent. The counterclaim is wider than the defence in two respects. First, it covers a wider time period: from before the injunction until the expiry of the patent (17 December 2022). Secondly, the counterclaim relates not only to the Orion amphibious system and Smuggler boats that were manufactured before the interim injunction but also to a new model of Smuggler boat allegedly launched only in 2019, after the Court of Appeal's judgment and after the injunction was discharged.

[36] The appellants applied to strike out Sealegs' defences (to the extent those defences plead patent infringement) and the entirety of the counterclaim.

### **The judgment below**

[37] The Judge set out the facts and the principles governing strike-out applications. She then examined recent authorities on the principle in *Henderson v Henderson*, concluding that:<sup>13</sup>

[69] After consideration of the cases above, it is clear that the *Henderson v Henderson* principle cannot be reduced to a simple test of could and should the second proceeding have been brought in or with the first proceeding. All of the circumstances must be taken into account.

[70] Furthermore, the question of whether the second proceeding *should* have been brought needs to be considered in the context of the claimant being

---

<sup>13</sup> Emphasis in original.

denied their right to bring a claim (or raise a defence) if the proceeding is struck out. To respond to this I have included as a final question: whether strike out would be a justified limitation on Sealegs' right to bring a claim or raise a defence ...

[38] The Judge then made findings on the questions that she had identified as being necessary to determine the strike-out application. These questions reflected the appellants' framing of the issues in the High Court. The Judge's findings were:

- (a) Sealegs "technically" could have brought a patent claim in the original proceeding in respect of amphibious systems and boats developed at that time but not in respect of a model of boat developed in 2019.<sup>14</sup>
- (b) It was not the case that Sealegs should have brought a patent claim in the original proceeding, because:
  - (i) Sealegs did not clearly abandon its patent claim.<sup>15</sup>
  - (ii) Sealegs did not deliberately mislead the Court or the appellants.<sup>16</sup>
  - (iii) Sealegs was amending its patent from March 2017.<sup>17</sup>
  - (iv) Allowing the patent claim to proceed (whether by counterclaim or affirmative defence) would not be to allow a collateral attack on the Court of Appeal's decision.<sup>18</sup>
  - (v) Allowing the patent claim to proceed would not otherwise be unfairly prejudicial to the appellants.<sup>19</sup>
  - (vi) There was not an absence of good faith by Sealegs.<sup>20</sup>

---

<sup>14</sup> Strike-out judgment, above n 5, at [85].

<sup>15</sup> At [117].

<sup>16</sup> At [118]–[120].

<sup>17</sup> At [121]–[123].

<sup>18</sup> At [145].

<sup>19</sup> At [146]–[147].

<sup>20</sup> At [149] and [151].

- (c) Striking out the patent claim and defence would not be a justified limitation on Sealegs' right to either bring a counterclaim or defend itself.<sup>21</sup>

[39] For these reasons, the Judge concluded that the appellants had not shown that it would be an abuse of process for Sealegs to be permitted to plead defences based on breach of patent or to bring a counterclaim on that basis. Accordingly, she declined the application to strike out.<sup>22</sup>

### **The appeal**

[40] The appellants say that the principle in *Henderson v Henderson*, as understood in light of recent authorities, is that a party is precluded from bringing a claim or raising a defence in subsequent proceedings in respect of matters that were not raised in the earlier proceeding but with reasonable diligence could and should have been. The raising of such matters in that way may, without more, constitute an abuse of the court's processes. The "should" part of this analysis involves a broad merits-based assessment of whether the law would have expected a reasonable person to raise a point in earlier litigation in his or her own interests and in that of the efficient conduct of the litigation.

[41] The appellants say that on any conventional analysis, Sealegs' raising of patent infringement contravenes the *Henderson v Henderson* principle. They say that the Judge lost sight of the abuse with which the principle is concerned, incorrectly formulated the relevant test, and adopted a too restrictive approach.

[42] Sealegs, by contrast, says the Judge was correct to find there was no *Henderson v Henderson* abuse of process. Sealegs also supports the judgment on additional grounds. It says the Judge's finding that Sealegs "technically" was able to bring a patent claim did not mean that a patent claim "could have been brought", as that term is understood in the *Henderson v Henderson* context. Sealegs says the proper question

---

<sup>21</sup> At [178].

<sup>22</sup> At [179].

is whether a patent claim “practically” could have been brought. It says it was not practical to bring a patent claim in the original proceeding.

[43] Sealegs also says that, even if this Court finds that the counterclaim should be struck out, the defence of patent infringement should not.

### **The law on *Henderson v Henderson* abuse of process**

[44] The doctrine of res judicata prevents a person from re-litigating a dispute that has already been determined. The doctrine has two core aspects: cause of action estoppel (which prevents re-litigation of the same cause of action in a subsequent proceeding) and issue estoppel (which prevents re-litigation of an issue that has already been decided in an earlier proceeding between the same parties or their privies). The public interest underlying the doctrine is that there should be finality in litigation and that a party should not be twice vexed in the same matter.<sup>23</sup>

[45] A related but distinct principle is that in some circumstances a party will, even where there is no cause of action estoppel or issue estoppel, be prevented from re-litigating the same subject on a different basis. This principle is generally traced to *Henderson v Henderson*, in which Wigram V-C said:<sup>24</sup>

[W]here a given matter becomes the subject of litigation in, and of adjudication by, a Court of competent jurisdiction, the Court requires the parties to that litigation to bring forward their whole case, and will not (except under special circumstances) permit the same parties to open the same subject of litigation in respect of matter which might have been brought forward as part of the subject in contest, but which was not brought forward, only because they have, from negligence, inadvertence, or even accident, omitted part of their case. The plea of res judicata applies, except in special cases, not only to points upon which the Court was actually required by the parties to form an opinion and pronounce a judgment, but to every point which properly belonged to the subject of litigation, and which the parties, exercising reasonable diligence, might have brought forward at the time. ...

[46] This principle is related to res judicata because it serves that doctrine’s same underlying public interest in promoting finality in litigation and ensuring that a party

---

<sup>23</sup> *Johnson v Gore Wood & Co* [2002] 2 AC 1 (HL) at 31 per Lord Bingham; and *Craig v Stringer* [2020] NZCA 260 at [16]. This is only a summary of the core aspects of res judicata and of the requirements of cause of action estoppel and issue estoppel.

<sup>24</sup> *Henderson v Henderson*, above n 4, at 115.

is not oppressed by successive suits.<sup>25</sup> As appears from the second sentence of the passage, Wigram V-C considered he was simply describing the scope of the doctrine of res judicata.<sup>26</sup> But the *Henderson v Henderson* principle is distinct from res judicata (or at least from the core aspects of that doctrine). To paraphrase May LJ in *Manson v Vooght*,<sup>27</sup> whereas cause of action estoppel and issue estoppel are concerned with cases where a court has decided the matter, the *Henderson v Henderson* principle is concerned with cases where the court has not decided the matter.

[47] The distinction is important. In *Johnson v Gore Wood & Co*, the leading English authority on *Henderson v Henderson* abuse of process, Lord Millett explained:<sup>28</sup>

It is one thing to refuse to allow a party to relitigate a question which has already been decided; it is quite another to deny him the opportunity of litigating for the first time a question which has not been previously adjudicated upon. This latter (though not the former) is prima facie a denial of the citizen's right of access to the court[.]

[48] Lord Bingham, who delivered the leading speech in *Johnson v Gore Wood*, treated a citizen's right of access to the court to resolve disputes as the starting point in considering the scope of *Henderson v Henderson* abuse of process. He commenced his analysis by saying that:<sup>29</sup>

The rule of law depends upon the existence and availability of courts and tribunals to which citizens may resort for the determination of differences between them which they cannot otherwise resolve. Litigants are not without scrupulous examination of all the circumstances to be denied the right to bring a genuine subject of litigation before the court[.]

[49] After examining authorities on *Henderson v Henderson* abuse of process, Lord Bingham concluded his analysis by saying:<sup>30</sup>

The underlying public interest is ... that there should be finality in litigation and that a party should not be twice vexed in the same matter. ... The bringing of a claim or the raising of a defence in later proceedings may, without more,

---

<sup>25</sup> *Johnson v Gore Wood & Co*, above n 22, at 31 per Lord Bingham and at 59 per Lord Millett; and *Craig v Stringer*, above n 22, at [18].

<sup>26</sup> *Johnson v Gore Wood & Co*, above n 22, at 30–31 per Lord Bingham and at 58 per Lord Millett.

<sup>27</sup> *Manson v Vooght* [1999] BPIR 376 at 387, cited by Lord Millett in *Johnson v Gore Wood & Co*, above n 22, at 58–59.

<sup>28</sup> *Johnson v Gore Wood & Co*, above n 22, at 59 per Lord Millett.

<sup>29</sup> At 22. Lords Goff, Cooke and Hutton agreed with Lord Bingham's speech on abuse of process.

<sup>30</sup> At 31 per Lord Bingham.

amount to abuse if the court is satisfied (the onus being on the party alleging abuse) that the claim or defence should have been raised in the earlier proceedings if it was to be raised at all. I would not accept that it is necessary, before abuse may be found, to identify any additional element such as a collateral attack on a previous decision or some dishonesty, but where those elements are present the later proceedings will be much more obviously abusive, and there will rarely be a finding of abuse unless the later proceeding involves what the court regards as unjust harassment of a party. It is, however, wrong to hold that because a matter could have been raised in earlier proceedings it should have been, so as to render the raising of it in later proceedings necessarily abusive. That is to adopt too dogmatic an approach to what should in my opinion be a broad, merits-based judgment which takes account of the public and private interests involved and also takes account of all the facts of the case, focusing attention on the crucial question whether, in all the circumstances, a party is misusing or abusing the process of the court by seeking to raise before it the issue which could have been raised before. ... While the result may often be the same, it is in my view preferable to ask whether in all the circumstances a party's conduct is an abuse than to ask whether the conduct is an abuse and then, if it is, to ask whether the abuse is excused or justified by special circumstances.

[50] Lord Millett delivered a concurring speech, saying:<sup>31</sup>

[The defences of issue estoppel, cause of action estoppel and abuse of process] are all designed to serve the same purpose: to bring finality to litigation and avoid the oppression of subjecting a defendant unnecessarily to successive actions. ...

There is, therefore, only one question to be considered in the present case: whether it was oppressive or otherwise an abuse of the process of the court for Mr Johnson to bring his own proceedings against the firm when he could have brought them as part of or at the same time as the company's action. This question must be determined at the time when Mr Johnson brought the present proceedings and in the light of everything that had then happened. There is, of course, no doubt that Mr Johnson *could* have brought his action as part of or at the same time as the company's action. But it does not at all follow that he *should* have done so or that his failure to do so renders the present action oppressive to the firm or an abuse of process of the court. As May LJ observed in *Manson v Vooght* ... it may in a particular case be sensible to advance claims separately. In so far as the so-called rule in *Henderson v Henderson* suggests that there is a presumption against the bringing of successive actions, I consider that it is a distortion of the true position. The burden should always rest upon the defendant to establish that it is oppressive or an abuse of process for him to be subjected to the second action.

[51] This Court has adopted Lord Bingham's and Lord Millett's analysis of the scope of *Henderson v Henderson* abuse of process.<sup>32</sup>

---

<sup>31</sup> At 59 per Lord Millett (emphasis in original).

<sup>32</sup> *Commissioner of Inland Revenue v Bhanabhai* [2007] 2 NZLR 478 (CA) at [58]–[61]; and *Craig v Stringer*, above n 22, at [14] and [18]. *Johnson v Gore Wood & Co* was also referred to by the Supreme Court in *Lai v Chamberlains* [2006] NZSC 70, [2007] 2 NZLR 7 at [62] and [178].

[52] We can summarise the applicable principles. Litigants should not without careful examination of all the circumstances be denied the right to bring a genuine subject of litigation before a court. But raising a claim or a defence may amount to an abuse of process if the claim or defence should have been raised in the earlier proceeding.<sup>33</sup> That the litigant could have raised the claim or the defence in the earlier proceeding does not, of itself, mean there is an abuse of process. Determining whether the claim or defence should have been raised in the earlier proceeding, so as to make the raising of it in a later proceeding an abuse of process, involves a broad merits-based judgment that takes account of all circumstances. The underlying purpose is to encourage finality in litigation and avoid the oppression of subjecting a party unnecessarily to successive actions or defences. The burden is on the party alleging abuse to establish there is an abuse.

[53] The parties referred us to a number of cases to illustrate how the courts have applied these principles. It is not necessary to refer to any of those cases at this stage. We refer to some of them when we deal with the issues that arise on this appeal. We observe, however, that given that when abuse of process is alleged the court must always undertake a broad merits-based assessment, little assistance can be gained from referring to cases that have very different circumstances from the case that is before the court.

### **Scope of appellate review**

[54] Determining whether there is an abuse of process involves a broad merits-based judgment. This is an evaluative matter, not the exercise of a discretion.<sup>34</sup> We therefore accept Mr Holmes' submission that this appeal is a general appeal.

### **Issues on appeal**

[55] Each party proposed a relatively lengthy list of narrow issues that were said to arise on the appeal. We consider that, given the broad merits-based approach to

---

<sup>33</sup> An abuse of process can also arise at separate stages within one proceeding: *Test Claimants in the FII Group Litigation v Revenue and Customs Commissioners (formerly Inland Revenue Commissioners)* [2020] UKSC 47, [2022] AC 1 at [73] per Lord Reed PSC and Lord Hodge DPSC.

<sup>34</sup> *Aldi Stores Ltd v WSP Group plc* [2017] EWCA Civ 1260, [2008] 1 WLR 748 at [16] and [38]; and *Test Claimants in the FII Group Litigation v Revenue and Customs Commissioners (formerly Inland Revenue Commissioners)*, above n 32, at [75] per Lord Reed PSC and Lord Hodge DPSC.

determining whether there is an abuse of process, the issues that arise are wider than those proposed. On the submissions that were made, we consider that the issues are:

- (a) Could Sealegs have brought, in (or with) the earlier proceeding, its current patent claim?
- (b) Should Sealegs have brought its current patent claim in (or with) the earlier proceeding, such that it is an abuse of process for it to now bring the claim?
- (c) If it is an abuse of process for Sealegs to bring its current patent claim for infringement, may Sealegs nonetheless raise patent infringement by way of defence?

**Could Sealegs have brought, in (or with) the earlier proceeding, its current patent claim?**

[56] The Judge held that Sealegs “technically” could have brought, in the earlier proceeding, its current patent claim in respect of the Orion amphibious systems and Smuggler boats that were manufactured before the interim injunction was obtained. But the Judge held that Sealegs could not have done so in respect of a model of boat that was launched only in 2019, after the injunction was discharged. Sealegs challenges the first holding, the appellants the second.

*Could Sealegs have brought its current patent claim in respect of the then amphibious systems and boats?*

[57] Sealegs accepts that in a technical sense it could have drafted a statement of claim in the earlier proceeding alleging patent infringement in respect of the then amphibious systems and boats manufactured by the appellants. But it says that at a practical level there were two reasons it could not have done so. First, it says that if it had added a patent claim there was no prospect of that claim being heard at a trial in September 2017. Secondly, it says it could not have brought a patent claim in 2017 because its patent was then under amendment.

[58] In advancing these arguments, Mr Arthur KC, counsel for Sealegs, submitted that the broad merits-based approach to abuse of process meant that assessment of whether Sealegs “could” have brought a patent claim should consider the practical realities, not merely that which was technically possible. As a fall-back, he submitted that the Judge had been correct to treat the practical realities of bringing a patent claim as important considerations for the “should” question.

[59] We consider, with respect, these arguments to be rather arid. The practical difficulties in raising a claim or defence, of the sort raised by Sealegs, are undoubtedly part of the relevant circumstances to be considered in assessing whether the claim or defence should have been raised earlier and whether it is therefore an abuse of process to raise it now. There is nothing to be gained (and likely much to be lost in clarity of analysis) by engaging in a broad merits-based judgment of the prior question whether the claim or defence could have been raised earlier.

[60] Of course, if for whatever reason a party definitely could not have brought a claim earlier, there will be no basis for finding that the party should have brought it earlier, and that will be the end of the enquiry. But we agree with the Judge (and Sealegs accepted) that that was not the position in respect of the Orion amphibious systems and Smuggler boats that were manufactured before the interim injunction was obtained.

*Could Sealegs have brought its current claim in respect of a later model of boat?*

[61] Mr Holmes’ written submissions addressed this issue only in a footnote. He submitted that the Judge, in finding that Sealegs could not have brought a claim in respect of a boat developed in 2019, plainly erred in ignoring an affidavit made by Mrs Pringle. Mrs Pringle deposed that Smuggler had developed the Strata 800 boat in 2016, before the injunction was obtained, and that that boat had Orion’s S25-3WD amphibious system attached to it. She said Smuggler developed the Strata 700 boat after the Court of Appeal’s decision and took it to market in 2020. She said the Strata 700 boat had the same Orion S25-3WD amphibious system attached to it. She deposed that the only differences between the Strata 800 and 700 boats (apart from cosmetic matters) were the length of the hull (8 m and 7 m respectively) and the angle of the

hull (27 degrees and 23 degrees respectively). Mrs Pringle deposed that Smuggler never would have developed the Strata 700 boat or brought it to market if the Strata 800 boat had been found to infringe Sealegs' copyright or patent.

[62] Mr Holmes also referred us to Mr Bryham's affidavit. Mr Bryham deposed that the Orion systems attached to the Strata 700 and 800 models appeared "to be the same or substantially similar".

[63] On the basis of this evidence, Mr Holmes submitted that the Strata 700 boat was not a "new" boat. Alternatively, if it was a "new" boat, Mr Holmes said allowing Sealegs to continue with its counterclaim in respect of the Strata 700 boat "would be an example of further prejudice to the appellants occasioned by Sealegs' abuse of process".

[64] Mr Arthur, while acknowledging similarities between the boat models, said it was possible that Orion's amphibious system might not operate in the same way for boats of different lengths. He particularly referred to the way in which the front wheel might act as a bumper.

[65] We do not accept Mr Holmes' submission that the Judge ignored Mrs Pringle's affidavit. The Judge referred to the affidavit, albeit briefly, and considered that it raised a dispute on the evidence. She said that, because of the conclusions she reached on other issues, she did not have to reach a view on that dispute.<sup>35</sup>

[66] The dispute as to whether the Strata 700 boat was a "new" boat that could not have been the subject of a patent claim in 2017 is a factual dispute. It cannot be determined on a strike-out application and therefore cannot be determined on this appeal. It follows that the appeal must fail at least to the extent of that part of the counterclaim that relates to alleged sales of the Strata 700 boat.<sup>36</sup> Whether that part of the counterclaim is abusive is a matter for trial.

---

<sup>35</sup> Strike-out judgment, above n 5, at [86]–[87].

<sup>36</sup> This issue does not arise with Sealegs' defence, as that is confined to the period prior to the injunction being lifted.

**Should Sealegs have brought its current claim for patent infringement in (or with) the earlier proceeding, such that it is an abuse of process for it to now bring the claim?**

[67] Given the importance of Sealegs' right to bring a claim to a court, we now examine in some detail the circumstances of the two sets of litigation.

*The copyright and patent claims are parts of the same subject of litigation*

[68] The copyright claim that Sealegs brought in the earlier proceeding and the patent claim that it brings in the present proceeding relate to the same parties, the same amphibious systems, the same boats, and the same acts of the appellants in producing and selling those systems and boats.<sup>37</sup> In the earlier proceeding, Sealegs claimed that the production and sale of Orion's amphibious systems, and of Smuggler boats incorporating those systems, infringed Sealegs' copyright. In the present proceeding, Sealegs claims that the production and sale of Orion's amphibious systems, and of Smuggler boats incorporating those systems, infringe Sealegs' patent.

[69] Sealegs' two claims are different ways of claiming that the appellants, by producing and selling the amphibious systems and boats, breached Sealegs' legal rights. The subject of each proceeding is the same: the appellants' production and sale of the amphibious systems and boats, in alleged breach of Sealegs' rights. The two claims are, therefore, clearly parts of "the same subject of litigation", to use the words of Wigram V-C in *Henderson v Henderson*.

[70] Mr Arthur submitted otherwise. He said that "the same subject of litigation" meant the same legal issues. He pointed to the different elements of the causes of action for copyright infringement and patent infringement. He said there was no overlap in the legal issues arising on the two claims and very little overlap on factual issues. He said there "[was] no reason why the two proceedings should be brought together".

[71] We do not accept that submission. We accept that the two causes of action have different elements. This means that the patent claim, if it were to proceed, would

---

<sup>37</sup> In this part of the judgment, we leave to one side the boat model that Smuggler allegedly developed after the Court of Appeal discharged the injunction.

have to traverse some matters that were not traversed in the earlier proceeding. For example, the court hearing the patent claim would have to interpret the patent, assess whether the claims in the patent were novel and inventive, and determine whether the allegedly infringing products had every essential integer of one or more of the claims in the patent.

[72] But this does not mean that the two claims are not part of “the same subject of litigation”. Mr Arthur’s submission, if accepted, would confine abuse of process to cases where the causes of action were the same or had the same elements (and therefore raised the same issues). Abuse of process would then have no role to play beyond cause of action estoppel and issue estoppel. This would be contrary to the authorities we examined earlier.

[73] We also acknowledge that there is limited overlap in the particular factual and legal issues that arise from the two claims. This is relevant to determining whether there is an abuse of process, as it may provide a good reason (because of delay and increased trial time) for Sealegs not to have brought the patent claim in the earlier proceeding — a point that we address below.

[74] But the limited overlap does not detract from the fact that Sealegs is suing the appellants in respect of the same acts as in the earlier proceeding. And it is that which engages the concerns that underlie the rule in *Henderson v Henderson*. Sealegs is proposing proceedings by instalments. This is oppressive to the appellants, who face the stress and cost of responding to claims in two proceedings when one proceeding would have done. It is also wasteful of scarce judicial resources (subject to the point about delay and increased trial time).

[75] In analogous cases, courts have had little difficulty in finding an abuse of process. In an English case, *Hodgkinson & Corby Ltd v Wards Mobility Services Ltd*,<sup>38</sup> the plaintiffs distributed and marketed a type of cushion. The plaintiffs brought a claim against the defendant, which imported and marketed a lookalike cushion, for passing off and trade mark infringement. The plaintiffs obtained an interim injunction preventing the defendant from distributing or dealing in the cushion. The plaintiffs

---

<sup>38</sup> *Hodgkinson & Corby Ltd v Wards Mobility Services Ltd* [1997] FSR 178 (Ch).

gave the usual undertaking as to damages. The plaintiffs failed at trial and the defendant sought damages on the undertaking. In response, the plaintiffs said no damages should be payable because the defendant could not lawfully have sold the cushions without infringing the plaintiffs' copyright. Neuberger J, as he then was, had no hesitation in concluding that, because the copyright claim would have involved an overlap of points and witnesses with the passing off and trade mark claims, the plaintiffs should have raised copyright infringement in its initial claim, and on the face of it permitting the plaintiffs to raise the copyright issue in defence of the claim on the undertaking breached the rule in *Henderson v Henderson*.<sup>39</sup>

[76] The Court of Appeal overturned this decision, but not because of any disagreement with the approach of Neuberger J.<sup>40</sup> Rather, the Court of Appeal was provided with evidence, which had not been before Neuberger J, that showed that the parties had agreed that the copyright issue should be postponed until after the trial. Were it not for that fact, the Court of Appeal would have found an abuse of process.

[77] In another English case, *Markem Corp v Zipher Ltd*,<sup>41</sup> a person described as the "commercial brains and drive" behind the second claimants had left and founded the defendant. Eighteen of the second claimant's employees had then left their employment and joined the defendant. The claimants brought a patent entitlement action against the defendant. The claimants asserted that certain inventions had been devised during the period when the defendant's employees had been employed by the second claimant. It was not alleged that the ex-employees had misused any confidential information of the second claimant but rather that, after joining the defendant, they had re-invented the various inventions. The claimants obtained judgment against the defendant in the patent proceeding. During a hearing to determine relief in light of the judgment, the judge asked whether the claimants could bring a breach of confidence claim against the employees. The claimants' counsel responded: "We could, I suppose. ... But we chose this much clearer and easier route".

---

<sup>39</sup> At 194 and 195.

<sup>40</sup> *Hodgkinson & Corby Ltd v Wards Mobility Services Ltd* [1997] EWCA Civ 2571, [1998] FSR 530.

<sup>41</sup> *Markem Corp v Zipher Ltd* [2005] EWCA Civ 267, [2005] RPC 31.

[78] The claimants subsequently brought a separate breach of confidence proceeding against the defendant and four of its employees. The facts relied on were substantially the same as those pleaded in the patent proceeding. The defendants applied to strike out the breach of confidence proceeding as an abuse of process. They failed at first instance but succeeded on appeal. The Court of Appeal found that the claimants had available, well before the start of the patent trial, all the information they required to bring a claim for breach of confidence. In the circumstances, the claimants were obliged either to pursue the breach of confidence claim in the patent proceeding or abandon the claim. The separate breach of confidence proceeding was an abuse of process.<sup>42</sup>

[79] Mr Arthur relied on *Burden v ESR Group (NZ) Ltd*.<sup>43</sup> He submitted that the degree of overlap between the copyright claim and the patent claim in the present case was less than in the two claims considered in *Burden*, where no abuse of process was found. In *Burden*, in the first proceeding the plaintiffs successfully alleged secondary copyright infringement by the importation of infringing furniture. In the second proceeding the same plaintiffs alleged primary copyright infringement against the same defendant in relation to the same furniture relying on the same artistic works. The defendant applied to strike out the second proceeding as an abuse of process. Venning J declined to strike out. After referring to *Johnson v Gore Wood*, he said:<sup>44</sup>

[71] The issue of primary infringement was not before this Court or the Court of Appeal in the [earlier] 2014 proceedings. While there may have been information available to the [plaintiffs] which should have put them on notice that such a claim might be available, the focus of the pleading in those 2014 proceedings was on the ownership of the copyright and then on the importation and secondary infringement. In [*Stuart v Goldberg Linde*] it was a relevant consideration that not all the evidence was before the Court. In that case the information which provided the basis for the new claim also came from the defendant himself, at a late stage in the proceedings. It would be draconian to prevent the [plaintiffs] from pursuing a claim for primary infringement merely on the basis that they failed to seek leave to amend their pleadings in the 2014 proceedings to add a claim of primary infringement.

[72] To deny the [plaintiffs] the right to pursue a claim for primary infringement in the circumstances of this case would be to deny them their right under s 27 New Zealand Bill of Rights Act 1990 to access the Court to have that claim heard.

---

<sup>42</sup> At 765.

<sup>43</sup> *Burden v ESR Group (NZ) Ltd* [2019] NZHC 1546, (2019) 146 IPR 525.

<sup>44</sup> Footnote omitted.

[80] This Court allowed an appeal, but without having to engage with Venning J's reasons. This was because this Court found that the allegation of primary infringement had actually been made in the earlier proceeding, so the proper course of action was to allow an amendment to the claim in that proceeding (from which it followed that it was an abuse to pursue the same claim in the later proceeding).<sup>45</sup> The Supreme Court declined leave to appeal. It said there were strong arguments in support of the result this Court had arrived at and the route it took to get there. The Supreme Court also said that, if the proposed amendments had not been within the scope of the earlier proceeding, there would have been strong interests of justice considerations in allowing the second proceeding to continue, as Venning J had concluded.<sup>46</sup>

[81] We accept that the two claims at issue in *Burden* had more overlap than the claims that are before us. But we consider it is clear from the passages we have quoted that the reason Venning J concluded there was no abuse of process was that, at most, there “may” have been information available to the plaintiffs which should have put them “on notice” that a primary infringement claim “might” have been available. Some of this information had become available to the plaintiffs less than two weeks before the trial of the earlier proceeding.<sup>47</sup> This is very different from the present case, where Sealegs not only knew of the alleged patent infringement before it started the earlier proceeding but said, when starting that proceeding, that it would also be bringing a patent proceeding.

[82] In summary, because Sealegs is suing the appellants in respect of the same acts as in the earlier proceeding, the concerns underlying the abuse of process principle are clearly engaged. This is a factor that points firmly to a finding that Sealegs should have brought the patent claim in the earlier proceeding and that to do so now is an abuse of process. It is, of course, not determinative of the question. The assessment is broader than that, as is evident from *Hodgkinson* (where the express agreement to postpone the copyright claim prevailed) and from *Markem* (where, as we explain below, the Court also took into account the delay and additional trial time that adding a breach of confidence claim would have caused).

---

<sup>45</sup> *Burden v ESR Group (NZ) Ltd* [2020] NZCA 560, (2020) 157 IPR 217.

<sup>46</sup> *ESR Group (NZ) Ltd v Burden* [2021] NZSC 22 at [14]–[15].

<sup>47</sup> *Burden v ESR Group (NZ) Ltd*, above n 42, at [60].

*No collateral attack on earlier Court of Appeal judgment*

[83] In a submission related to the ones we have just addressed, Mr Arthur said that a factor pointing away from a finding of abuse was that Sealegs' patent claim did not involve any collateral attack on the Court of Appeal's findings in the copyright proceeding. This was also a factor that weighed heavily with the Judge below. She addressed whether Sealegs' patent claim would be a collateral attack on the Court of Appeal decision, and concluded:

[143] Sealegs finally submits that even the Applicants do not suggest that the actual findings of fact [in the earlier Court of Appeal decision] in relation to copyright originality could be determinative of patent inventiveness.

[144] This final point is very important in considering whether the counterclaim or defence is an abuse of process, because the origins of the *Henderson v Henderson* principle are to avoid collateral attack on the res judicata or cause of action and issue estoppel principles. If the Applicants do not go so far as to submit that the findings on the matters on which the claims could overlap could be determinative then there is real difficulty in finding the pleadings are an abuse.

[145] It is clear from the above, in my view, that allowing the breach of patent counterclaim and defences to proceed would not be to allow a collateral attack on the Court of Appeal decision. This does not therefore provide support for the application to strike out.

[84] We respectfully consider the Judge erred in this analysis, and we reject Mr Arthur's submission. The term "collateral attack" refers to an attempt to challenge a finding in a prior decision where the subsequent proceeding is between different parties or is different in nature from the earlier proceeding, so that the doctrine of res judicata and the *Henderson v Henderson* principle are inapplicable. An example is a civil proceeding that attempts to call into question a finding in a prior criminal trial.<sup>48</sup> If, in a case such as the present (involving an identity of parties in successive civil proceedings), a party makes a collateral attack on a finding in the earlier proceeding, either an issue estoppel or a cause of action estoppel will be raised. The point of the *Henderson v Henderson* principle is to capture abuses beyond those involving such collateral attacks. Thus, in *Johnson v Gore Wood*, Lord Bingham specifically said it

---

<sup>48</sup> *Hunter v Chief Constable of the West Midlands Police* [1982] AC 529 (HL). Another example can be found in *Seimer v Solicitor-General* [2013] NZSC 68, [2013] 3 NZLR 441, where Mr Seimer faced a civil contempt proceeding alleging breach of a court order made in a criminal proceeding to which he was not a party. The Supreme Court held that Mr Seimer's attempt to defend the contempt proceeding on the basis that the order should never have been made was an impermissible collateral attack on that order.

was not necessary, before abuse of process may be found, to identify a collateral attack.<sup>49</sup>

[85] In our view, the absence of a collateral attack on the earlier Court of Appeal decision is a neutral factor.

*The prospect of additional trial time and delay*

[86] Mr Arthur submitted it was not practicable to add a patent claim to the earlier proceeding because there was no prospect of that claim being heard together with the copyright claim in September 2017. He said a patent claim would have required additional pleadings, and discovery and inspection of documents from 2000 to 2017 relating to patent infringement and patent validity. There would have been extensive additional expert evidence. Mr Henry, who was senior counsel for Sealegs in the original proceeding, made an affidavit on the strike-out application in which he estimated that a combined copyright and patent trial would have taken ten to 12 weeks. Mr Henry and Mr Bryham said that the patent claim was not included in the copyright proceeding because it would have meant the September 2017 trial date was adjourned to a much later date. Mr Arthur submitted that the appellants would not have tolerated any adjournment of the trial date.

[87] The Judge did not make any findings as to whether the matters to which Mr Arthur referred meant that a patent claim could not have been heard with a copyright claim in September 2017. When dealing with another point raised by Sealegs (the effect of its patent amendment, which we address below), however, the Judge concluded it was likely that the appellants would have strongly opposed any adjournment of the trial date.<sup>50</sup>

[88] To assess Mr Arthur's submission, it is necessary to chart the course of the earlier proceeding in some detail.

[89] Sealegs commenced the proceeding on 9 September 2016. It claimed the appellants had infringed its copyright and its registered design and misused

---

<sup>49</sup> *Johnson v Gore Wood & Co*, above n 22, at 31.

<sup>50</sup> Strike-out judgment, above n 5, at [121].

confidential information. Its interim injunction application was heard on 28 October 2016. Mr Henry filed submissions that stated:

1. ... The trial is expected to take 4–6 weeks as whilst not pleaded at present, the plaintiff will issue a proceeding based on the infringement of the patent it holds protecting the amphibious boat design in a separate proceeding, which the defendants will most likely seek to have heard at the same time.
2. The plaintiff anticipates the defendants will seek to file revocation proceedings as part of their patent defence strategy hence the time estimate.
3. The plaintiff today seeks an interim injunction based on the design registration and the copyright it holds and being aware of its obligation to seek the earliest fixture when granted an interim injunction has decided to keep the more lengthy patent proceedings separate leaving it to the defendant to decide if it wants to apply to have the two proceedings heard at the same time which will greatly extend the court trial time and could thereby delay the substantive trial of the proceeding supporting the interim injunction.

[90] Paragraph 1 was in definitive terms: Sealegs “will” issue a patent proceeding. It is clear from paragraphs 1 and 2 that Mr Henry’s trial estimate of four to six weeks allowed not only for the existing copyright/registered design/confidential information proceeding but also for the anticipated patent proceeding. Paragraph 3 must be read in that light. It said that hearing both proceedings together would “greatly extend” the trial time. That can only have been a reference to the difference between the low and high ends in Mr Henry’s estimate of four to six weeks.

[91] Mr Henry filed a memorandum on 12 December 2016, in which he sought the earliest trial fixture. Mr Henry described the proceeding as “a copyright infringement trial” and anticipated the trial would “last for an estimated 4 weeks”. This estimate, given that it allowed only for a copyright trial, was consistent with his four to six week estimate in his injunction submissions. Soon after, the Court allocated a four-week trial commencing on 25 September 2017.

[92] On 19 December 2016, Peters J granted the interim injunction sought by Sealegs. Peters J held that the balance of convenience lay with Sealegs, as a “standstill” for the “relatively short period to trial” was the most prudent course.<sup>51</sup>

---

<sup>51</sup> *Sealegs International Ltd v Zhang*, above n 9, at [44].

[93] In February 2017, Sealegs applied for orders allowing it to inspect the appellants' allegedly infringing boats. The appellants filed a notice of opposition on 10 February 2017, agreeing to inspection subject to conditions. Sealegs did not accept the appellants' conditions, so the application went to a hearing. On 13 April 2017, Gilbert J granted the application subject to the conditions proposed by the appellants (and awarded them costs).<sup>52</sup>

[94] Some six weeks later, on 26 May 2017, counsel for the appellants filed a memorandum saying that Sealegs had taken no steps to prosecute its claim since obtaining the inspection order from Gilbert J. Counsel said that, given the trial was only four months away and the injunction was in place, this was concerning. Counsel said it was imperative that the September trial not be forfeited and that the appellants would suffer the most if that trial was not maintained. Counsel submitted that if Sealegs was not committed to the September trial the interim injunction should be lifted.

[95] Counsel for the appellants filed a further memorandum on 30 May 2017. Counsel said, among other things, that:

7. ... [T]he following steps remain to be taken in this proceeding before trial can proceed in September this year:

...

(b) [Sealegs] has previously signalled an intention to amend its claim to include a cause of action regarding alleged patent infringement, but as yet has taken no steps to do so. Although no close of pleadings date has yet been set, counsel submit that if such amendment does not take place forthwith, the plaintiff should be declined leave to do so [.]

[96] Counsel proposed that Sealegs be directed to file an amended statement of claim "pleading any claim as to breach of patent" by 16 June 2017. Counsel said that compliance with that and other directions would be necessary if the four-week September trial was to commence as planned. Counsel did not raise any concern that, if a patent claim were pleaded, the September trial would be at risk.

---

<sup>52</sup> *Sealegs International Ltd v Zhang* [2017] NZHC 741.

[97] We interpose to record that Mr Arthur submitted that the statement at [7(b)] of the appellants' counsel's memorandum was inaccurate, as Sealegs had previously signalled an intention to bring a separate patent proceeding, not an intention to add a patent claim in the copyright proceeding. This is also something that the Judge noted.<sup>53</sup> With respect, there is nothing in this distinction: had a new proceeding been commenced, it very likely would have been consolidated with the existing proceeding (as Mr Henry had foreshadowed in his submissions on the application for an interim injunction).

[98] Mr Henry filed a memorandum the same day on behalf of Sealegs. He said the matters raised in [1]–[10] of the appellants' memorandum “are not matters necessarily agreed to but are not in contention”. In response to the appellants' proposed date for filing an amended claim, Mr Henry said:

[Sealegs] has always asserted that once inspection and the report is completed they will amend the pleading shortly thereafter, this can be done by Friday 30 June 2017. It can be signalled it is unlikely (but subject to the inspection ... ) any cause of action relating to the patent will be filed.

[99] Mr Henry did not say that, in the unlikely event a patent claim were added, the September 2017 trial would be at risk. Nor did he raise the distinction that Mr Arthur now wishes to raise between bringing a separate patent proceeding and amending the claim in the copyright proceeding.

[100] We pause to observe that it is remarkable that Sealegs, having acknowledged to the Court its obligation to seek the earliest possible trial fixture, had sat on the inspection order for six weeks before the appellants filed their memorandum. It is particularly remarkable given that, as Mr Henry acknowledged in his memorandum, Sealegs required access to the boats in order to properly particularise its pleadings.

[101] Woolford J then, on 30 May 2017, made timetable orders by consent. These included that inspection of the boats was to take place by 23 June 2017 and that Sealegs was to file and serve an amended statement of claim “remedying current deficiencies and pleading any claim as to breach of patent” by 30 June 2017.

---

<sup>53</sup> Strike-out judgment, above n 5, at [105].

[102] Sealegs inspected the appellants' boats on 6 and 19 June 2017. Sealegs then filed an amended statement of claim on 30 June 2017. It removed the allegation of breach of confidential information. It did not plead a claim for breach of patent.

[103] Meanwhile, Sealegs had failed to comply with orders that Woolford J had made (by consent) on 30 May 2017 as to discovery and provision of particulars. Sealegs' non-compliance was so egregious that Wylie J made unless orders against Sealegs on 16 August 2017 and Davison J awarded increased costs for the steps taken by the appellants from May 2017 until commencement of the trial.

[104] The trial commenced on 2 October 2017, a week later than its original date. The trial took slightly longer than estimated, running for four and a half weeks (three and a half weeks in October, and a further five days in December 2017). The Court was able to accommodate the delayed start and additional time at short notice, after a pre-trial conference on 18 September 2017.

[105] We now return to Mr Arthur's submissions on additional trial time and delay that would have resulted from adding a patent claim. Sealegs did not offer any expert evidence on these matters. It relied primarily on an affidavit from Mr Henry. Mr Henry estimated that if the patent claim had been included the trial would have required ten to 12 weeks. He made no attempt to reconcile that with his earlier estimate of a four to six week trial. Mr Henry deposed that the Court's allocation, in mid-December 2016, of a four-week trial in September 2017 "confirmed that it was not going to be possible to commence a patent proceeding and have that patent proceeding heard at the same time as the copyright proceeding". This was not, however, something that Mr Henry or Sealegs communicated to the Court or the appellants at any time during the course of the litigation. Mr Henry also deposed that, had the patent claim been added, discovery, inspection, witness briefing and trial preparation could not have occurred in nine months (from mid-December 2016 to 25 September 2017). He said this was particularly so given:

... Sealegs required access to the boat with the allegedly copyright infringing amphibious system in order to identify all aspects of copyright infringement and to properly particularise its pleadings, and was not granted such access until June 2017 after an inspection application was duly filed by Sealegs in February 2017, thus further limiting time for full trial preparation[.]

As set out earlier, in fact the appellants offered Sealegs access to the boats (on conditions upheld by Gilbert J) in February 2017, but Sealegs did not conduct an inspection for a further four months.

[106] We are not satisfied that the addition of a patent claim would have prevented a trial from starting in September 2017. Notwithstanding Sealegs' dilatory approach to interlocutories, it was still prepared for the trial that did take place. This suggests that, had it been assiduous in attending to those matters (which it should have been, given the grant of the interim injunction), Sealegs would have been prepared for a combined copyright and patent trial to commence 25 September 2017. Such a trial would have required an allocation of more than four weeks. Had Sealegs raised, in early to mid-2017, the need for a longer trial it is probable the Court could have accommodated one from 25 September 2017. After all, even as late as 18 September 2017 the Court was able to provide the parties with two additional weeks.<sup>54</sup> So the six-week trial that Mr Henry was then estimating would certainly have been accommodated. And even a trial approaching the length that Sealegs now says would have been required is likely to have been accommodated, had Sealegs timeously raised the question.

[107] We are, of course, necessarily engaged in an element of speculation in assessing what would have happened had Sealegs added a patent claim to the earlier proceeding. But the reason we have to do this is that Sealegs never raised the question with the appellants or the Court at the time. As we explain in a moment, it should have done. In any event, we reject Mr Arthur's submission that it was not practicable, for reasons of trial time and delay, for Sealegs to add a patent claim to the earlier proceeding.

*Sealegs did not put its cards on the table*

[108] Sealegs initially said it would bring a patent claim with the copyright proceeding. Once it obtained the interim injunction, it was dilatory in prosecuting the copyright proceeding. At some point Sealegs changed its mind about bringing a patent claim with the copyright proceeding. Although it says that this was (in part) because

---

<sup>54</sup> One of the sitting weeks was at the end of the originally scheduled four weeks for the trial (the first week having been lost by the delayed start). The other sitting week was the week commencing 4 December 2017. See the minute of Davison J dated 18 September 2017.

of a concern to preserve the trial date, it did not involve the appellants, or the Court, in that discussion — notwithstanding that the appellants had shown an openness to the trial proceeding with a patent claim, so long as it was added by 30 June 2017.

[109] A similar scenario played out in *Markem*. There, the English Court of Appeal addressed concerns (which had impressed the first instance judge) that adding a breach of confidence claim to a patent proceeding would have led to a delayed and longer trial. The Court said:<sup>55</sup>

... If faced with the choice of, on the one hand, [a patent] entitlement action to be followed months later by fresh proceedings for breach of confidence and, on the other hand, a short delay to enable all issues to be resolved in the one action, it seems to us obvious that [the defendants] would have chosen the latter course. But what is of great importance is a factor not referred to at all by the judge, namely that [the defendants], and for that matter the court, were never given the choice.

...

... [The judge] stated that if breach of confidence had been alleged the trial would have had been “greatly prolonged with attendant cost implications”. That may be questionable, but even if it is right the true comparator is the length and cost of two separate trials. Plainly in the end if the action for breach of confidence proceeds to a hearing the overall length and the overall costs would be greater than if all issues had been dealt with at the same time.

...

... Even if [the claimants] thought it desirable to deal with the entitlement proceedings first, once they knew or ought to have known that they had a viable claim for breach of confidence and/or breach of contract, which they might at some stage wish to pursue, it was, in our judgment, their clear duty under CPR 1.1 to put their cards on the table and seek directions. Not to do so was not as Mr Watson submitted a procedural irregularity. It was an abuse.

[110] In *Stuart v Goldberg Linde*, Sedley LJ and Sir Anthony Clarke MR both said that a litigant in Sealegs’ position should put their cards on the table (in front of both the other parties and the court) and that if they do not they run the risk that the second proceeding will be held to be an abuse of process.<sup>56</sup> In making those statements they referred to r 1.1 of the Civil Procedure Rules (as did the Court in *Markem*). Rule 1.1 provides that the overriding objective of the Civil Procedure Rules is “enabling the

---

<sup>55</sup> *Markem Corp v Zipher Ltd*, above n 40, at 806.

<sup>56</sup> *Stuart v Goldberg Linde* [2008] EWCA Civ 2, [2008] 1 WLR 823 at [77], [96] and [101].

court to deal with cases justly and at proportionate cost”. This is essentially the same as the objective in r 1.2 of the High Court Rules 2016.

[111] We agree with the approach in *Markem* and *Stuart*. Further, the need for openness is even greater where, as here, the plaintiff has obtained an interim injunction. As Hobhouse LJ said in *Hodgkinson*:<sup>57</sup>

In general, any party who is seeking to obtain or hold an injunction, be it interlocutory or final, must advance his best case and make the claims of right or allegations of fault which he says support the grant of the injunction. So here in the present case, as Mr Thorley recognised, if the action had continued in the more normal way, the plaintiffs would have been obliged either by amendment or consolidation to bring before the court their case on infringement of copyright so that the judge could decide it as part of the trial as well as the issues of passing off.

[112] Sealegs did not put its cards on the table in the earlier proceeding. This means that for Sealegs to now bring a patent claim is to harass the appellants and to make inefficient use of scarce judicial resources. It is a factor pointing towards a finding of abuse of process. The circumstances are more clearly abusive than in *Markem*, in which the claimants had not initially said they would bring a breach of confidence claim, and the defendants had not exhibited an openness, as part of case management, to such a claim being added.

*What Mr Bryham said at trial*

[113] The Judge placed some emphasis on Mr Bryham’s evidence at trial about Sealegs’ intentions with respect to the patent claim. Before us, Mr Holmes did the same.

[114] Mr Holmes took us to two passages. In one, Mr Bryham explained that Sealegs believed the appellants’ design was a breach of the patent but, given a trial had been scheduled for 25 September 2017, Sealegs had decided not to add a patent cause of action, but to “deal with this issue should the [appellants] attempt to sell the boat in any other jurisdiction where Sealegs has ... patent protection”. In another passage, Mr Bryham said that because of the 25 September 2017 trial, Sealegs decided not to add a patent claim, “leaving the patent to be used in the US, Australia, EU and other

---

<sup>57</sup> *Hodgkinson & Corby Ltd v Wards Mobility Services Ltd*, above n 40, at 540.

jurisdictions should the [appellants] try to infringe [Sealegs'] rights in those regions". Mr Holmes submitted that these showed that Sealegs itself considered it had abandoned any claim on the patent in New Zealand.

[115] Mr Arthur submitted that what was said by the witnesses at the copyright trial is not relevant to abuse of process, as what was said about the patent claim during the four weeks of evidence does not affect whether the patent claim could and should have been brought months earlier. As a fallback, he said Mr Holmes had not referred to a later passage in Mr Bryham's evidence, where he said that Sealegs believed there was patent infringement, but was only pursuing the simpler copyright infringement "at this stage".

[116] We agree with Mr Arthur that Mr Bryham's evidence at trial is irrelevant to the question of abuse of process. If Sealegs should, in all the circumstances leading up to the trial, have brought the patent claim in the earlier proceeding, it was too late for Mr Bryham to retrieve the position at trial. The converse is also true. In short, nothing that he said at trial makes the subsequent proceeding more or less duplicative, more or less harassing of the appellants, or more or less wasteful of judicial resources.

*Sealegs' application to amend its patent*

[117] Sealegs applied on 14 March 2017 to the Commissioner of Patents to amend its patent. Mr Arthur submitted that, as a result of its amendment application, Sealegs could not have brought a patent claim in 2017. He made two closely related points.

[118] The first was that, under s 85 of the Patents Act 2013, the Commissioner must not allow a patent to be amended while an infringement proceeding on that patent is pending. In such circumstances, there is a procedure in s 89 under which the court can, in the patent proceeding, amend the patent. But that procedure normally takes many months. Mr Arthur submitted that the s 89 procedure could not have concluded by September 2017. He said this meant that once Sealegs decided to amend the patent it could not have brought a patent claim with the copyright proceeding.

[119] The Judge accepted this point in the High Court. She found that:

[121] ... [T]he relevant statutory provisions prevent proceedings in relation to that patent, except in accordance with the particular process set out in the High Court Rules [for an application to the Court under s 89]. This process could not have been followed if the September 2017 hearing date was to be maintained. ...

[120] We respectfully consider that the Judge, and Mr Arthur, had matters the wrong way around. The effect of ss 85 and 89 is that a patent proceeding stalls or slows down the progression of an application to amend a patent. But ss 85 and 89 do not mean that an application to amend a patent prevents a patent proceeding from being brought (or being continued).

[121] Mr Arthur's second point was that if an application is made to the Court under s 89 to amend a patent, the court will ordinarily deal with that application prior to the substantive hearing (of the patent infringement claim). This is because the Court will not countenance a plaintiff seeking to establish infringement based on the existing terms of its patent specification and (in the alternative) on a proposed amendment. So, had Sealegs brought a patent claim and then made an application under s 89, the application would have been determined first and the patent claim would not have been able to be heard in September 2017.

[122] We are not sure whether this point was made in the High Court. The Judge did not address it explicitly.

[123] We accept that the Court will ordinarily deal with a s 89 application before the substantive hearing.<sup>58</sup> We also accept that, had Sealegs applied under s 89 after June 2017, its application would not have been determined before the September 2017 trial.

[124] In our view, however, this is a neutral factor. Sealegs chose to apply to amend the patent. Likewise, it would have been Sealegs' decision whether to make an application under s 89. Moreover, the timing of these steps was in Sealegs' hands. There was no evidence to explain the timing of Sealegs' application to amend the patent. If Sealegs had made the amendment application earlier (or if it had brought a patent claim in March 2017 and promptly made a s 89 application) there is unlikely to have been a timing problem.

---

<sup>58</sup> *Ancare New Zealand Ltd v Cyanamid of NZ Ltd* [2000] 3 NZLR 299 (CA) at [34].

[125] The appellants applied for leave to adduce further evidence on appeal in relation to Sealegs' application to amend the patent. The proposed evidence was an affidavit attaching Sealegs' pre-amendment patent. The appellants' said that the nature and quality of the patent amendment was relevant because it illuminated why Sealegs sought to amend its patent during the earlier proceeding. We decline the application. We do not consider that Sealegs' reasons for applying to amend its patent are relevant to determining whether the patent claim is an abuse of process.

*Relative prejudice*

[126] Mr Arthur submitted that Sealegs would suffer more prejudice from being prevented from pursuing a patent claim than the appellants would from having to defend it.

[127] If Sealegs is allowed to proceed with its patent claim there will be prejudice to the appellants. The prejudice is not that they will have to incur the cost and time of defending the claim. The prejudice is that they will have to defend claims in two proceedings when one would have done. Other court users will also be prejudiced from an inefficient use of court resources.

[128] If Sealegs is prevented from pursuing its patent claim it will suffer prejudice. It is difficult to assess the amount of that prejudice. Sealegs' counterclaim does not yet quantify the damages or account of profits that it seeks, and there was nothing before us to give any indication of quantum. (We address Sealegs' defence separately, under the next issue.) We note that for two and a half years of the period covered by the counterclaim the appellants were prohibited from manufacturing or selling Orion's amphibious system, and it seems unlikely that they would have been able to return to the same level of pre-injunction manufacturing and sale the moment the injunction was lifted. We have no means of assessing, and were not invited to assess, the merits of Sealegs' counterclaim.

[129] It is difficult to weigh the relative prejudice that will be suffered. We consider the factor is neutral. If the other circumstances do not show an abuse, any prejudice suffered by the appellants is just an ordinary incidence of Sealegs exercising its right to seek vindication of its legal rights in the courts. If the other circumstances do show

an abuse, Sealegs should be prevented from pursuing its claim, and if it is thereby deprived of the opportunity to recover a substantial amount of damages or account of profits it has only itself to blame.

### *Conclusion*

[130] Having considered all the circumstances, we are of the clear view that Sealegs should have brought its current claim for patent infringement in (or with) the earlier proceeding, and that it is therefore an abuse of process for it to now bring the claim. Sealegs is suing the appellants in respect of the same acts as in the earlier proceeding. The appellants face the stress and cost of responding to claims in two proceedings when one would have done. This is oppressive and wasteful of scarce judicial resources. The oppression and waste are aggravated by Sealegs' failure to be open with the appellants and the Court.

**If it is an abuse of process for Sealegs to bring the current claim for patent infringement now, may Sealegs nonetheless raise the patent infringement by way of defence?**

[131] Mr Arthur submitted that, even if the counterclaim were held to be abusive, it was a step further to strike out Sealegs' defence. He said that Sealegs could not have brought its defence in 2017 and that on a broad assessment denying a party the right to defend itself was more extreme than denying a party the right to enforce its patent. He said, in short, that the *Henderson v Henderson* principle should be applied more benignly to defences.

[132] Mr Arthur did not refer us to any authority in support of this submission. His submission appears not to be in accordance with the *Henderson v Henderson* principle (and the related principle of issue estoppel).<sup>59</sup> Both principles prevent re-litigation of matters or issues that have already been determined. The public interest underlying the principles is engaged if a defendant seeks to re-litigate a matter or issue that was determined in an earlier proceeding, whether they seek to re-litigate that matter or issue as plaintiff or defendant.

---

<sup>59</sup> The same may be true of cause of action estoppel, though it is not easy to contemplate situations in which that will arise in relation to a claim and then a defence.

[133] We accept, however, that the broad assessment that is called for when applying the *Henderson v Henderson* principle may mean that it is a relevant circumstance that the party is seeking to re-litigate a matter by way of defence. It is not necessary for us to express a final view on this. That is because, even if this is a relevant consideration here, it is counterbalanced by the fact that Sealegs' defence is to a claim that arises solely from it having obtained an interim injunction in the very proceeding that otherwise gives rise to the abuse with which the *Henderson v Henderson* principle is concerned.

[134] We therefore conclude that it is equally an abuse of process for Sealegs to raise patent infringement by way of defence.

### **Costs**

[135] The appellants have succeeded on the appeal, except in respect of the counterclaim that relates to alleged sales of the Strata 700 boat. That was a minor aspect of the appeal, as was the appellants' application for leave to adduce further evidence. Neither point justifies reducing the costs otherwise payable to the appellants.

[136] Accordingly, Sealegs is to pay costs to the appellants for a standard appeal on a band A basis.

[137] As regards costs on the contested application for leave to appeal, these were reserved in the leave decision.<sup>60</sup> Rule 53G(5)(b) of the Court of Appeal (Civil) Rules 2005 provides that if the appeal is ultimately allowed, there will normally be no award of costs with respect to the application unless the respondent's opposition was unreasonable. We do not consider the opposition in this case was unreasonable and therefore make no award of costs in respect of the leave application.

### **Result**

[138] The appellants' application for leave to adduce further evidence is declined.

---

<sup>60</sup> Leave judgment, above n 6, at [30].

[139] The appeal is allowed. An order is made striking out:

- (a) Sealegs' counterclaim dated 17 February 2021, except for that part of the counterclaim that relates to alleged sales of the Strata 700 boat.
- (b) Paragraphs 30.4, 37.4, 48.1, 49.1, 50.1, 51.1, 52.2, 53.2 and 55–59 of Sealegs' statement of defence dated 17 February 2021.

[140] Sealegs is to pay costs to the appellants for a standard appeal on a band A basis and usual disbursements.

Solicitors:  
Keegan Alexander, Auckland for Appellants  
Goodwin Turner, Auckland for Respondent