THE PATENT OFFICE

Court Room 1
Harmsworth House,
13-15 Bouverie Street,
London, EC4Y 8DP.

Friday, 6th July, 2001.

Before:

DIVISIONAL DIRECTOR
(Mr P Hayward)

(Sitting for the Comptroller-General of Patents etc.)

In the Matter of THE PATENTS ACT 1977

- and -

In the Matter of Patent No: GB 2311053: Section 40
MICHAEL STUART BACON

- and -

In the Matter of Opposition thereto by
ENTERTAINMENT UK LTD

(Transcript of the Shorthand Notes of Marten Walsh Cherer Ltd.,
Midway House, 23/92 Cursitor Street, London EC4A 1LT.
Telephone No: 020-7405-5010. Fax No: 020-7405-5026)

MR D LUDLOW (Robbins Olivey) appeared on behalf of the Applicant.

MRS J NEEDLE (W H Beck Greener & Co) appeared on behalf of the Opponents.

DECISION
(As approved by the Hearing Officer)

Friday, 6th July, 2001.

DECISION

THE HEARING OFFICER: I will now give my decision and I will start by summarising the background.

This hearing has been held to consider two preliminary points in proceedings under section 40 of the Patents Act 1977 relating to compensation of employee inventors. These proceedings have been brought by Mr Bacon in respect of a British patent and some related patents and utility models in four other countries.

It is not disputed that Mr Bacon is the inventor and that the proprietor of the patents and utility models is the company Entertainment UK Limited which I will refer to as EUK. It is also not disputed that Mr Bacon was employed by EUK until he retired last year and that he was employed in a very senior capacity there.

The stage the proceedings have reached is that we have a statement and a counter statement but we have not yet got to the evidence because the claimants put in a request for disclosure. The defendants resisted that request and also countered with a request for summary judgment dismissing the application. I will deal first with the request for summary judgment. I must first decide whether I have jurisdiction to make an order for summary judgment, and if yes, I must then decide whether I should grant it.

It is certainly true that requests for summary judgment

before the Controller are for allegedly hopeless claims are 3fairly rare. In fact I have only managed to find one and that was dealt with very, very briefly indeed.

The question is do I have the jurisdiction to entertain it? Mr Ludlow argued I do not. My attention was drawn to the Tribunal Practice Notice 1/2000 ([2000] RPC 587) and the Patent Amendment Rules 1999 which gave the Comptroller the legal power to do certain things like hold case management conferences, and so on, but which did not, Mr Ludlow submitted, give a power of summary judgment. Mrs Needle however, argued that the Tribunal Practice Notice incorporated the Civil Procedure Rules which, of course, include the power of summary judgment.

As I understand it the Tribunal Practice Notice did not exactly incorporate the Civil Procedure Rules into the Rules of this Tribunal. It simply indicated that we would be guided by them as indeed we were previously by the Rules of the High Court. Therefore I think to talk about them being incorporated is going slightly too far. I should also perhaps explain what I understand to be the status of a Tribunal Practice Notice. It is not a third tier of legislation. It is guidance indicating the line that the Comptroller will normally follow though of course it is not binding on me.

Mr Ludlow also referred to two of the Office's guidance leaflets. I have an apology to make in this respect. The two

leaflets are about to be replaced. I signed off the replacement only two days ago. Not only that I have sitting on my desk a much more comprehensive manual which is the rewritten guidance manual for Hearing Officers and which will soon be published as well. This may well have helped you too. I must apologise for the fact that the guidance you were looking at was published prior to the Tribunal Practice Notices and is therefore somewhat incomplete. I must also apologise for the fact that the Office's litigation section did not actually issue formal notice of this Hearing until seven days ago. Mr Ludlow was correct in saying that that was due in part to staff sickness, but I have to say that our procedures should have been tighter and the notice should have gone out earlier.

Returning to the question of jurisdiction, Mr Ludlow argued that there appeared to be no power in the rules for me to actually grant summary judgment. I have drawn his attention to the comments of Pumfrey, J., in Pharmedica Gmbh's Trade Mark Application [2000] RPC 536, popularly known as the Friskies case.

In that case, at p 541, Pumfrey, J., said: "Notwithstanding the fact that the registrar is, like the county court, a tribunal which is established by statute, I have no doubt that the registrar has the power to regulate the procedure before her in such a way that she neither creates a substantial jurisdiction where none existed, nor exercises

that power in a manner inconsistent with the express provisions conferring jurisdiction upon her."

I believe that principle gives me the power to consider an application for summary judgment. I do not believe that considering an application for summary judgment is creating a substantial jurisdiction where none existed nor is it doing something which is inconsistent with the express provisions of either the Patents Act 1977 or the Patents Rules 1995.

The fact that the possibility of summary judgment is not mentioned in the Act or Rules does not mean to say that I cannot consider it. It is not inconsistent with them, so I believe I do have the jurisdiction.

It is analogous to my jurisdiction to hold this very Hearing. Mr Ludlow pointed out that there was nothing in the Act or the Rules about holding preliminary hearings. As I observed earlier, we have been doing so for decades and indeed we have no option but to do so if a preliminary issue arises. We are obliged by Rule 88 of the Patents Rules 1995 to give a party an opportunity to be heard before exercising a discretionary power adversely to that party and that necessarily means holding a preliminary hearing. Thus I am quite confident I have the jurisdiction to hold today's hearing as well.

Mr Ludlow was concerned he had not had a formal notice of the hearing on summary judgment which identified our powers. I have apologised for the fact that the formal

letter from the office was late, but the date of the hearing was agreed orally with both sides and Mrs Needle was correct when she said that the claimant was on notice that the question of summary judgment was to be the subject of this hearing beause it was mentioned in a letter that goes back to the 14th May.

I am satisfied therefore that the claimant had adequate notice of this hearing, and that includes adequate notice for the purpose of Article 6 of the European Convention on Human Rights which Mr Ludlow also alluded to. He had adequate notice both of the date of this hearing and of what was to be considered at it.

It is true that that notice did not draw attention to the basis for my power to consider summary judgment but that, as it turns out, has been an issue to be considered at the preliminary hearing itself. I do not think even if our letter had gone out in time it would have quoted a specific legal basis because the power comes, if you like, from the sort of consideration set out by Pumfrey, J., in Pharmedica rather than from anything expressly in the Act or Rules.

I think that covers the point on jurisdiction so in conclusion I am satisfied that I do have jurisdiction to consider the application for summary judgment, albeit it has rarely been sought in proceedings before the Comptroller in the past.

I will now go on to consider the request itself, in

other words, whether I should exercise my discretion and dismiss the application summarily or not.

As I have indicated, requests for summary dismissal of allegedly hopeless claims are rare proceedings before the Comptroller. Consequently there are no guidelines laid down but both sides have agreed that rule 24.2 of the Civil Procedure Rules is the model which I should apply and I agree with that. In the absence of any express guidance to the contrary in the Patents Rules or the Patents Act we would turn to the Civil Procedure Rules and follow the procedure that the Courts would have followed.

Rule 24.2 of the Civil Procedure Rules states that:

"The court may give summary judgment against a claimant or defendant on the whole of a claim or on a particular issue if -

(a) it considers that -

(i) that the claimant has no real prospect of succeeding on the claim or issue; or"

and I can skip the next bit and then go on to:

"(b) there is no other compelling reason why the case or issue should be disposed of at a trial."

These are the two limbs of rule 24.2, "no real prospect of succeeding" and "no other compelling reason" that Mr Ludlow drew to my attention and I accept they are the factors that I need to consider.

Mr Ludlow also drew my attention to the **Swain v Hillman**

case reported in The Times on 4th November 1999 in which the Master of the rolls, Lord Woolf, said:

"The words 'no real prospect of succeeding' do not need amplification. They speak for themselves.... they direct the court to the need to see whether there is a 'realistic' as opposed to a 'fanciful' prospect of success".

The same case also points out that I must avoid conducting a mini-trial.

Both sides have tried to tell me what evidence they are going to produce, with a view to persuading me that the claim does or does not have a real prospect of succeeding. I am not, in deciding the question of summary judgment going to start getting into the details as to who might be right or who might be wrong. I think that would quite inappropriate. Instead, I will concentrate on what was pleaded.

Let me now look at the arguments that have been advanced by both sides for and against dismissing this claim at this stage. The first argument from Mrs Needle's side was that the time scale is too short to assess any benefit. The invention has not been exploited yet for long enough, the patent was only granted last July. She quoted, British Steel Plc's patent [1992] RPC 117. The claim had been brought after a similar period, about a year after the patent had been granted. The Hearing Officer did not rule out the possibility that outstanding benefit could have been demonstrated in that time but made clear it would, to put it bluntly, be hard work

to do so.

This case was used by both sides, one to say it was too short a time, the other to say it is clearly not impossible to prove outstanding benefit in so short a time. It is a short time and it is clear that an applicant under section 40 has got a harder job if they are applying so soon after the patent has been granted.

Having said that, this application under section 40 does not just relate to the GB patent. There are other patents and utility models some of which were granted as long ago as 1996, so it is not correct to say that the rights only stem from last year. They go further back than that.

Thus, although I think Mr Bacon has given himself an uphill task by coming in so quickly, I do not think in itself that is a reason for ruling the claim out as hopeless.

Following up that point, there was the question as to whether I would be able to take account of any pre-grant benefits, and the benefits from the foreign rights. So far as the latter at least are concerned, section 43 (4) gives a clear answer - yes. Indeed, as Mrs Needle said, there is only one profit centre for the benefits from all courses. As far as I understand it, they are all swept up in the profits to EUK or its Ross Division.

There was the question as to the extent to which I would be able to take account of future profits. I am not going to make a definitive ruling on that now. Clearly there is a

large element of speculation in future profits. Mrs Needle rightly said that some new technology could come along tomorrow that could bring the exploitation of this invention to a halt and make it totally redundant. Therefore one has to be careful about future profits. Mrs Needle also rightly drew attention to the fact that section 40 says that I have to establish that the invention is (present tense) of outstanding benefit and under section 40 (1), before I can award compensation.

However, as Mr Ludlow pointed out, when we come to section 41 (1) it says that in awarding compensation I can take account of benefits that the employer may reasonably be expected to derive from the patent. That is clearly referring to future benefits.

There is an issue there as to whether that provision in section 41 (1) has any bearing on the interpretation of the use of the present tense - "is of outstanding benefit" - in section 40 and that may need to be argued more fully at a substantive hearing. I am not at this stage prepared to rule out as completely out of the question the possibility that what might happen in the future may have a bearing on my assessment under section 40 (1). I am reluctant to throw that point out as utterly hopeless although there is clearly an issue there that will need to be addressed.

I must also deal with one other point that Mr Ludlow raised. This is in connection with the second of the two

limbs in Rule 24.2 (b) of the Civil Procedure Rules, that is:

"there is no other compelling reason why the case or issue should be disposed of at trial".

He said there is a public interest in continuing this case because there are not many precedents, so it would be useful to examine the thing properly. I reject that argument. There have been more precedents than he is aware of as I am aware of at least six cases, but in any case I think it would be quite wrong to continue with hopeless cases merely to provide more case law. I think that would be very unfair on the employer and I can see no justification for that.

That leaves the question as to whether the pleaded case is hopeless because the profits as pleaded have no hope of ever being rated as outstanding.

I have had, as I said, some attempts from both sides to tell me what evidence will eventually be produced on the actual profits. Looking at the statements of case, though, the best that Mr Bacon comes up with in terms of any tangible figures in his statement is that EUK made a net profit from the invention of 2.82 per cent in a four month period from September 1998 to January 1999. He then goes on to talk about budgeted profits but does not put them in the context of the total turnover of the company. The employer EUK in its counter-statement says that the percentage of profits from the Ross Division - the division that has been set up, as I understand it, to exploit the invention - were, in the last

three years, at the highest 1.5 per cent. That figure has been disputed. Mr Ludlow says it was actually 1.85 per cent. I do not think it makes a lot of difference for the purposes of summary judgment whether it is 1.5 per cent or 1.85. It is of that order of magnitude.

I have to say that is a low figure for establishing a claim that a patent has been of outstanding benefit. It is a very low figure and if that is all I had to go on I think I would be tempted to dismiss this claim as being hopeless.

What has emerged this morning and from some of the correspondence since the statement of case was first put in, is that Mr Bacon's case does not rely solely on that. He seems now to be relying on other issues. For example, he seems to be relying on an allegation that sales were secured by virtue of the patent that would otherwise not have been secured. He also seems to be relying on licences that he says were granted. I find it surprising that none of this was pleaded in his statement. Mr Bacon was, as I understand it, set up as managing director, or certainly in a senior post in the Ross Division that was set up to exploit the invention. He must have had a very good idea of what was going on and what benefits the company was getting from the invention. He retired some time last year, I am not quite sure when, but up to the time he retired he should have been in a very good position to know what was going on.

On that basis, if he is now saying that there are other

benefits, they really should have been in his statement of case.

That gives me a dilemma in the sense that if I look solely at the pleaded case I would be hard put to accept that it could lead to a finding that there had been outstanding benefit, but that may not be so if there are other benefits to consider.

I have the option of throwing this case out on the grounds that it has not been adequately pleaded and telling Mr Bacon to start again, but that would not achieve very much as far as I can see unless he was going to defer starting again for another two years to see how the profits worked out. I would assume he would be starting again immediately, so I think that throwing it out, would not be a not sensible course of action.

I am therefore going to allow the case to continue at this stage.

That will then take us on to the second issue which I will be coming on to later on today, the question of disclosure. I have not yet heard the parties' submissions on this, but it is clear to me that if I do decide to allow some disclosure Mr Bacon should be in a much better position to present and plead his case properly.

Therefore, in dismissing this request for summary judgment, I am going to dismiss it in a conditional way. When I have heard and dealt with the issue of disclosure I will, at

the end of any disclosure that takes place, require a revised statement to be submitted by Mr. Bacon.

The other side will then have an opportunity to look at that and they may at that stage wish to come back to me on the question of summary judgment saying, well, look, even in his revised statement he has not got a hope. I will be prepared, if that is what they feel they want to do, to hear them again on this point at that stage.

(After the Decision the following occurred:)

THE HEARING OFFICER: It is a quarter-past 12.

MRS. NEEDLE: Sir, I do have a point. I am in agreement with you that if the matters that have been raised this morning are of importance to the applicant's case then we need a revised statement. I have a difficulty in knowing how I am going to agree any disclosure requests at the moment because most of them are not relating to the matters in the present statement and it is an extensive exercise to get out loads of documents.

I do not want to put them in a situation where they are getting out documents relating to X because we think that might be Mr Bacon's case when in the event it is Y and they have to do the whole thing again.

I am wondering if we cannot have the revised statement first and then a disclosure application when we know what the issues are.

THE HEARING OFFICER: Mr Ludlow?

MR LUDLOW: I am happy to proceed in that way, sir, and I think on balance that probably would achieve a saving of time and expense which are the overriding objectives. In my view I am happy to proceed in that way. Equally I am happy to try and crunch it this morning if you, as the person who is ultimately seized with the conduct of the proceedings, think that it is desirable in the interests of expedition to try and achieve agreement in the form of an order today, then I am quite happy to go and sit down with Mrs Needle and try and pinpoint the

documents that we seek, but necessarily on the face of what is going to be our amended pleading.

THE HEARING OFFICER: I think Mrs Needle has made a valid point. There is a chicken and egg problem here. In a section 40 case in many ways all the cards are in the employer's hands in the sense that the employee may have a fair idea that there has been an outstanding benefit, or could feel that, but does not actually have the hard facts because they are in the employer's hands. To that extent it may not be until documents have been disclosed that it is possible finally to firm up the employee's case which is why I was provisionally suggesting that we proceed with disclosure first. Equally you are quite right, knowing the case partly dictates what should be disclosed.

MRS. NEEDLE: I notice you said yourself, sir, Mr Bacon was an employee in a very responsible job until fairly recently. I am sure he could probably get 95 per cent or 90 per cent of the way down his case without our documents.

THE HEARING OFFICER: I have made that point because, as I said, if the situation were different then the omissions from his statement would be more excusable. It is clear there are a lot of other issues that he was aware of but did not put in his statement.

A concern would be to avoid having to have a whole series of preliminary hearings when we have another fight over disclosure, then another fight over summary judgment. It may

be, and I would very much hope, that if the claimant were to revise his statement now (and clearly once the claimant has revised his statement Mrs Needle will have to be given the opportunity to put in a revised counter statement - that necessarily follows) you would then be able to agree on disclosure between you.

That would certainly be the best option. If you were fairly optimistic that such agreement would be possible, then I think the sensible thing would be to terminate these proceedings now. If you thought there was a problem, that that might not be possible, I would be happy to stay around here while you spent the next hour or two trying to thrash out something between you. It depends how quickly the claimant can thrash out an indication of what his statement is likely to be. Then if the two parties still have a dispute over disclosure, I could still hear it today.

I am not trying to rush you into this. I am just trying to work out something that will be the most efficient, both from my point of view and your point of view.

MR LUDLOW: I think for my part, sir, we have given full and frank disclosure. My instructions are that we have disclosed every piece of paper we have got. My opponent is an attorney of the Supreme Court I think, I am not sure about that, but I am quite happy to deal with such a person on the general principles which are that we are all under a continuing duty to disclose right the way through. I have no doubt that we

can agree it if you feel that that will result in a saving of time and expense then we are happy to get on quickly and amend our pleading. We will serve it quickly and file it and we will then, at a same time, specify the documents that we seek.

THE HEARING OFFICER: That sounds to me as if that is the most sensible way of proceeding. I hope you can agree it between you. As I made clear earlier, we do not have standard disclosure in Patent Office proceedings. We do expect disclosure to be well focused. I have not heard your arguments on disclosure, but if I may make a provisional observation, in the hopes of guiding you as you go ahead, I am sure that some of the categories you have sought are too wide. I am not saying there is not something in them that is justified, but as they stand they are too wide. It is very easy for you to say you have disclosed all your documents, but you are dealing with one private individual. A company will have cellars full of documents and it is a very different matter for them. As you well know, disclosure can be very, very expensive for the parties and we need to make sure that this is kept proportionate and sensible and well focused on the issues that are actually in dispute.

Those are the sort of criteria I would use in deciding between you on what should and should not be disclosed. I would like to hope that you could actually come up with agreement. If not, of course, you will have to come back to me. MRS. NEEDLE: Yes.

MR. LUDLOW: Yes.

MRS. NEEDLE: We will do our best, sir.

THE HEARING OFFICER: That will be excellent.

I think we then need to work out some time scales because we need to know where this case is going from here. First, we will have a revised statement, either a supplementary statement or possibly it will be easier to put in a fresh revised statement and we then have a clean document to work from. How long do you need for that?

MR LUDLOW: I think we can do it straight away, sir, by which I mean 14 days.

THE HEARING OFFICER: 14 days. I was going to suggest that myself as it struck me as a suitable period. 14 days for revised statement. At that stage, Mrs Needle, would you want to prepare a revised counter statement or would you prefer to go into disclosure at that stage? With still having the right to put in a revised counter statement in due course?

MRS. NEEDLE: I am a little bit of a pedant in the way I do things. I would like to put in a revised counter statement. I would like to know what the case is and what the answers are.

THE HEARING OFFICER: I think that basically that is the right way. The only reservation I have is, if after disclosure there have to be further tweaks to the statement you might have to make further tweaks to your counter statement. I am aware of the fact that disclosure could lead to further tweaks to the

statements and I am sure you are.

MRS. NEEDLE: Yes.

THE HEARING OFFICER: That is fine. How long should I allow you for that?

MRS. NEEDLE: I am then aware that we come to end of July and I do not know who is going to be available over the August period at the employers, so could I perhaps suggest that we be given the normal six weeks?

THE HEARING OFFICER: We will give it the normal six weeks. If you do it faster than that, that is fine.

MRS. NEEDLE: Obviously, I will try.

THE HEARING OFFICER: I realise we are hitting the summer period and that can be difficult when you are not in a position to say who is available.

MRS. NEEDLE: That is my problem. I just do not know who is available over that period.

THE HEARING OFFICER: When will the requests for disclosure come in, Mr Ludlow?

MR LUDLOW: I think we can do that simultaneously, sir, ie., 14 days.

THE HEARING OFFICER: That will be a revised statement of claim and a revised request for disclosure in 14 days.

Mrs Needle what time scale on your side is sensible for dealing with that request for disclosure? You are going to get the two together.

MRS. NEEDLE: That is a really difficult one because I have no

feeling for how large the document trawl is going to have to be.

THE HEARING OFFICER: Yes.

MRS. NEEDLE: I certainly would not wish to offer to complete the disclosure by the time that we complete the counter statement, but we could aim to have agreed the elements of that disclosure exercise when we put in the counter statement, so we look to actually having it agreed between us, as to what the scope of the disclosure is. Thereafter I am a little lost as to how long it is going to take. I do not know which documents in which particular venue the clients are going to be looking through.

THE HEARING OFFICER: I take your point and of course I will say that any time limits I have set today will be extendable if in fact reasonable difficulties arise. I am not saying you have infinitely elastic time scales but clearly if the circumstances change I will have to consider that. I am just slightly uneasy about leaving that completely open-ended, but I can do so if the parties think they are likely to agree it between them. I do appreciate that you do not know what you are going to be asked to disclose.

MRS. NEEDLE: That is right and the client has several different premises and has moved fairly frequently in the last few years so it is: where are they, in whose possession are they in?

THE HEARING OFFICER: I am going to make a suggestion. You have said you would like six weeks, the standard time for the

counter statement. I am going to suggest that we cut that down to four weeks, but with the proviso that if there are serious difficulties you can come back and ask if that could be extended. I would expect some indication of what the difficulties are. I am not giving you carte blanch to extend it.

MRS. NEEDLE: Right.

THE HEARING OFFICER: If the whole factory has gone on holiday for four weeks or key personnel are on holiday for four weeks, I would take that into account.

Then a further four weeks beyond that for the disclosure, so that gives you eight weeks for the disclosure. That is what we should be aiming for.

MRS. NEEDLE: I will do my very best to meet that time table. As I say, not knowing who is going to be where at the time.

THE HEARING OFFICER: Both sides are at liberty to come back to me if there are genuine difficulties in the time table. It may be easier for Mr Ludlow because he is only dealing with one person. Even he may have a four week holiday booked.

MR. BACON: I have.

THE HEARING OFFICER: We will then need to initiate evidence rounds when disclosure is completed. I do not want to run too far ahead but I think that at that stage we should be looking at the first evidence round within six weeks.

MRS. NEEDLE: The normal time table.

THE HEARING OFFICER: The normal six week period. We will then

continue the evidence rounds in the normal way.

I will go through that just to make sure we are all absolutely clear as to what is agreed. Mr Ludlow will submit a revised statement within 14 days, both to the office and obviously copy to the other side and you will accompany that with a revised request for disclosure. Mrs Needle, for EUK, will respond to that, within four weeks of receiving those documents, with a revised counter statement and will aim to have completed disclosure four weeks after that.

Having completed the disclosure then the normal evidence rounds will start with six weeks for claimant to file his in chief and followed by the normal two other evidence rounds.

Thank you for that.

There is one other issue I need to deal with. Traditionally the question of costs was left until right to the very end, so with five preliminary hearings nothing was done about costs until we got to the end. As you will have seen from Tribunal Practice Notice 2/2000, we have now made clear that we intend to deal with costs at each stage. Do either of you wish to make submissions on costs in respect of this hearing?

MR LUDLOW: For my part, sir, I do not apply for my costs of what has turned out to be the main issue. I would respectfully suggest that in the circumstances it is appropriate for costs to be reserved.

THE HEARING OFFICER: Mrs Needle?

MRS. NEEDLE: I do not apply for my costs.

THE HEARING OFFICER: I will not reserve costs. Rather, I will just not award costs in respect of this hearing. Although the claimant has won on summary judgment, I think that we would not have gone through this procedure had he presented his statement properly, so I think it is six of one and half a dozen of the other. There will be no costs in respect of this preliminary hearing.

It remains for me to just remind you that since my decision this morning has been on a matter of procedure any appeal must be made within two weeks of today.

Thank you both for your co-operation and let us hope we can now proceed smoothly from here on.

(12:30 off the record)