



BL O/132/05

12 May 2005

**PATENTS ACT 1977**

BETWEEN

(1) Roger Michael Elliott	Claimant
(2) BSP International Foundations Limited	
and	
Expotech Limited	Defendant

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PROCEEDINGS

Application under section 13 of the Patents Act 1977, and  
reference under section 37, in respect of patent GB 2,351,111

HEARING OFFICER                      P Hayward

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**DECISION**

1. This decision is primarily concerned with the terms of a cross licence between two parties to whom I have decided to award joint ownership of a patent.
2. The patent in question, GB2351111, currently stands in the name of the defendants, Expotech Limited. On 1 April 2004, in decision BL O/095/04, I found that, in principle, the claimants, BSP International Foundations Limited, were entitled to one of the inventions in the patent but the defendants to the other. I gave the parties a chance to come to some agreement about how best to handle the rights in the patent in the light of my finding, but they failed. Accordingly, in an oral decision on 16 June, BL O/189/04, I said I would put the patent in their joint names but make it subject to cross licensing. Each side was to be permitted to exploit all the claims of the patent, but each was to pay a royalty to the other for every machine they sold or otherwise disposed of that fell within the scope of the claims. I said the royalties were to be the same in both directions, and I also made a number of other stipulations about the terms the licence should include.
3. I then gave the parties a chance to agree either the royalty or at least a mechanism for settling the royalty. I regret to say they managed to do neither. Accordingly, the default mechanism that I agreed with counsel for both parties at the hearing on 16 June came into

play. Each side had to make a short written submission, not expected to exceed 20 pages apart from any attachments such as a licence. I would then consider the submissions, with no further hearing, and make a ruling on what the royalty should be. This approach was agreed because neither side was thrilled with the only alternative - a full blown investigation into royalty - as experience from past licence of right disputes suggests this was likely to involve disproportionate cost. However, it has the disadvantage for me that I now have to weigh up submissions from each side without the benefit of the other side's comments on those submissions.

4. The parties were also required to supply me with a draft text for the other provisions of the licence. The text was to be agreed between them so far as possible, but insofar as they couldn't agree the wording of any clauses, they were to supply their respective suggestions so that I could decide between them. BSP produced a draft, but in a letter dated 16 August 2004 Expotech objected to several of the clauses and proposed alternative wording. On the following day BSP offered a revised draft which accepted many, but not all, of Expotech's suggestions. This has significantly reduced the number of areas of disagreement, but not eliminated them entirely.
5. My task now is first to decide on the royalty and then sort out the other licence terms on the basis of the submissions I have received. Both submissions rely on a number of supporting documents backed up, at least in part, by a witness statement. Again, because of the procedure that was adopted, I now have to weigh up that evidence without the benefit of the other side's comments and, except insofar as the information in the supporting documents had already formed part of the evidence for the substantive hearing, without any opportunity for the evidence to be tested in court. Because of this latter point, I need to treat the evidence with a certain amount of care.
6. I will now look at the submissions on royalty in more detail. Traditionally, in patent and design right licence of right disputes, two approaches have been used to decide what royalty parties who were negotiating willingly would have agreed. One approach is to look at comparable licences, and the other is to look at the profits available and split them between the parties. The appropriate approach often depends on the material available. In the present case, it is probably a fair summary to say Expotech have gone for a comparables-type approach and BSP have gone for profits available. Because they have adopted completely different approaches, it will be easier if I start by looking at them separately.

### **Expotech's comparables approach**

7. Expotech say that BSP had already willingly agreed to pay royalty to them for some machines and argue that this points to the correct level of royalty for the cross licence. In support of this contention, they have supplied a witness statement from John McHattie exhibiting a number of documents or part-documents. They say these documents show that Expotech sought royalties of £6,000 on some machines and £2,500 on others, and that in February 2002 BSP themselves suggested a royalty rate of £4,000. They submit

that this latter offer is a powerful argument for setting the royalty at £4,000 because it shows what BSP themselves thought was appropriate.

8. BSP put a different gloss on this in their submissions and accompanying documents. They say that for machines sold by them to Expotech (for onward sale to customers), they knocked £6000 off the price, but this was not royalty. Rather, it was to reflect the fact that Expotech was expected to carry all sales, warranty and servicing costs. They agree that they have paid royalty to Expotech since September 2001 in respect of five sales from BSP direct to customers. However, they say that the royalty on four of these sales (to Australia and Ireland) was only £2500 + VAT per machine. The fifth sale was to America, and for that they paid a royalty of £12,500 + VAT. This makes a total of £22,500 for the royalty paid on the five machines.
9. I have looked at the documents provided by both sides, and the picture does not seem to me as clear cut as either side suggests. I will start with the £6000 figure. There is evidence that Expotech wanted a “cut” of £6000 on machines sold via them, and that they initially described this as royalty, but there is no evidence that BSP ever agreed to this as a payment for royalty and nothing else. Moreover, this was in the early days, and that is very significant. At that stage, Expotech were estimating £15,000 for manufacturing costs, £11,000 (a typing error, I think, for £10,000) for distribution commission, £10,000 for BSP’s overheads, a selling price of £55,000 and sales quickly building up to 40-60 units a year. On these estimates, there was a £20,000 margin to split between BSP and Expotech. I am quite satisfied from other evidence (which I will come to shortly) that these estimates were hopelessly optimistic. In particular, selling prices have dropped way below £55,000. Further, the number of units sold per year has often been in single figures, and this clearly significantly affects the proportion of the initial development cost that must be recouped from each sale. In short, I do not find the figure of £6,000 to be a credible starting point for assessing the royalty.
10. The £4,000 figure does appear to have been a genuine offer by BSP because it appears in a letter written by BSP. Moreover, it was made not in the very early days but rather more recently, in 2002. However, it was in the specific context of direct sales by BSP to an American agent by the name of Jinnings, and it is not at all clear from the evidence that it can be taken as a reliable guide to the reasonable royalty on the “average” sale. At the time BSP were selling machines to Jinnings at £40,800, but they had been selling to an Australian customer for only £29,500. Moreover, the next year they were selling to a Chinese customer for only £25,000, and even their selling price to Jinnings had dropped below £35,000. These differences in selling price, of course, make an immense difference to the profit available and hence the royalty BSP might have been willing to offer. I conclude that whilst the £4,000 is an indication of the royalty the parties accepted as reasonable on particularly-profitable sales in 2002, it cannot be taken as a reliable indication of the royalty they would have regarded as reasonable on the “average” sale in 2002, let alone the “average” sale in 2005.
11. I will gloss over the isolated royalty of £12,500 apparently paid on one machine because not even Expotech rely on that - I assume there were some unusual circumstances. I will

instead go on to the figure of £2,500. This is at least an agreed figure in the sense that both sides acknowledge a royalty of this level was paid on some machines that were sold overseas. However, it seems to me to suffer from the same problems as the £4,000 figure in that I cannot be sure it represents the “average” royalty that the parties would have agreed at the time over a range of sales, nor whether it still represents a reasonable figure in today’s market.

12. There is another problem with these royalties. They were being considered at a time when relations between the parties were good and BSP were prepared to accept that Expotech owned all the rights, whereas I have now found that half the innovation in the patent came from BSP, not Expotech. What royalty would the parties have agreed if they were negotiating on the basis that each side owned half the IP rights? It is not easy to guess.
13. In short, whilst I attach some weight to the figures of £4000 and £2500, I do not feel I can treat either of them as the end of the story. I will leave the “comparables” approach there for the moment and turn to the “profits available” approach.

#### **BSP’s profits-available approach**

14. BSP have provided a number of spreadsheets and calculations which, they say, show the profits available are very low. Whilst I have no reason to suppose the figures presented are wrong, I am conscious that they have not had the benefit of critical scrutiny from the other side, so I will not take them as unchallengeable truth. Nevertheless I need to go through the points that BSP seek to make from them.
15. BSP analyse all their sales from 1999 to March 2004 and show that the total profit from sales of £1.3 million has been £17,409. This is equivalent to just 1.3% of turnover, or £446 per machine - and that, as far as I can make out, is before any royalty has been paid. I have to say, I would be wondering why either company is so keen on pursuing this technology if the profit margin really were that low, so are these figures believable? There are three factors that might call them into question.
16. First, Expotech assert that the machines can be sold for a much higher price than these figures of actual sales by BSP would suggest. The BSP figures show selling prices to third parties ranging from £41,500 down to £25,000 with an average somewhere around £35,000. Expotech have submitted four documents dating from 1999 and 2000 which allegedly demonstrate that the selling price of the machines to customers was between £40,000 and £60,000. If Expotech are right, the profits available are rather larger than BSP suggest. However, having looked more carefully at the Expotech documents, I have come to the conclusion that they carry no weight. The first document is a quotation to a customer giving a price of £59,000, but there is no evidence that the customer actually bought a machine, and if he did, whether he paid this price or negotiated a lower price. The second document is a letter to Expotech from David Redhead of BSP which includes the sentence “Did we agree that list price is £55,000??”. From the context and the double question mark, I do not take this as evidence that the list price was indeed

£55,000, and even if this was the nominal list price, it does not tell us whether customers actually paid that price or whether they were all offered a discount. The remaining two documents are invoices showing that machines were sold to an American customer in May and August 2000 for \$68,500 which, at the exchange rate then prevailing, is roughly equivalent to £45,000. This evidence is more tangible, but I still don't find it very persuasive. Does the American market command the same prices as other markets, or is it more lucrative? Will the market today, well over 4 years later, bear as high a price as when the machines were new on the market? On what basis did Expotech pick on these two particular sales - are they typical, or were they simply the highest prices Expotech could find? Without answers to these questions, I find BSP's list of all their sales a rather more convincing indication of achievable selling prices than these documents from Expotech.

17. Second, I see from closer scrutiny of BSP's figures that support cost overheads for administration, sales and engineering account for nearly a third of a million pounds whilst factory overheads add nearly half as much again. Of course it is quite proper to make an allowance for overheads, but when they constitute such a large element of the total costs, it is difficult to have confidence in the bottom-line profit without first getting a clear understanding of what has gone into the figures for overheads. Small changes to the overheads could make a massive difference to the profits. Without calling for more evidence - and on the basis of the agreement with the parties I would like to avoid that if at all possible - I must work on the presumption that the deductions for overheads may not necessarily be wholly reasonable.
18. Third, BSP's figures include a number of non-standard "sales", eg non-standard machines and machines that were written off or not actually sold. In all fairness to BSP, they acknowledge this and recognise that because of these oddities, their initial analysis may not give a fair reflection of future profits available. They therefore repeated the analysis but these oddities omitted, to come up with a profit of £2,086 per machine rather than £446. Whilst this figure (6.6% of turnover) seems more-believable, the uncertainty about the overheads still applies. Indeed, the fact that stripping out a few items can make such a difference to the alleged bottom-line profit reinforces my view that these profit figures need to be treated with a little care. However, for the moment I will continue with BSP's submissions.
19. BSP say that if this £2,086 were split between the licensor and licensee on a 75/25% basis, that would represent a royalty of £521.50 per machine. I note that Expotech (or Clark Engineering as it then was) proposed splitting an assumed £20,000 profit on a £14,000/£6,000 basis, and that would have been a 70/30% split. I am therefore satisfied that BSP's 75/25% split is in the right ball park, so if the profits available are just over £2,000, the assumption that parties would have agreed a royalty of around £550 seems reasonable.
20. However, BSP go on to argue that between August 1998 and the end of 2000 they spent over £300,000 in design and development - an expense which Expotech did not have to mirror. This development cost should, they submit, be recovered from future sales, and

however you do it, there is no profit left to share. They give some illustrative figures, based on predicted sales and recovery of the development cost over the next five years, which show a net loss per sale of £5,453. On this basis, they say, there is no profit available and so the cross royalty should be zero.

21. Again I am working under the disadvantage that these assertions have not been fully tested in court. I would certainly expect BSP to have incurred significant development costs, but I am not in a position to say whether their figure of £300,000 is reasonable. Certainly I can see scope for arguing about whether all of this figure relates strictly to development directly related to the inventions, and whether there is any double counting in respect of overheads. Also, I can see scope for argument about whether BSP's sales prediction of 8 machines a year is realistic, although at least we have some historic figures to go on here which provide some support. However, I do note that BSP's figures would have to be out by an enormous amount to turn the net loss back into a net profit.

### **Conclusion on royalty**

22. In summary, then, the "comparables" approach - which in this instance means looking at what royalty BSP were actually prepared to pay - suggests a royalty per machine of a few thousand pounds (£2,500 to £4,000) whilst the "profits available" approach suggests zero royalty if development costs are taken into account and around the £550 mark if they are ignored. All the figures, though, are surrounded by a large number of question marks.
23. However, there is another complication. I am only dealing with a GB patent. This matters because it is clear from the evidence that the UK market for these machines is relatively unimportant. What is important is the market in the rest of the world. BSP argue this is a crucial point. They are a UK manufacturer and so they will be making in the UK machines for the worldwide market. They will therefore have to pay Expotech royalty for every machine they make, wherever in the world it is sold. Expotech, on the other hand, can only exploit by licensing, and so long as the person they licence is not UK based, they can supply the whole world market without paying BSP a penny in royalty, save for any sales they may occasionally make in the UK.
24. I agree with BSP that this is a pertinent factor. In my previous decision, I ruled that the parties' contributions to overcoming the problems with the previous machines were equally balanced and that I should make an order giving a fair balance between the parties but taking account of the inequalities in their abilities to exploit the inventions (in the sense that one can exploit by manufacturing and the other can only exploit by licensing). That is why I proposed to give each the right to licence third parties without having to get the permission of the other and to require each to pay royalty to the other. The first limb of this still strikes me as appropriate to achieve the balance I was aiming at. However, the arguments BSP have now put forward suggest that I would not be achieving a fair balance if I set the cross royalty at a substantial level.

25. Of course I do not know for certain whether BSP's fears that Expotech will succeed in licensing abroad are justified. Certainly if a potential licensee had to face the sort of development costs that BSP say they have had to bear, they might be put off. If this happens and Expotech are unable to licence, they will get nothing unless I set a substantial royalty. However, there is some evidence that Expotech have been prepared to consider licensing others, and whilst I would be wary of relying solely on this evidence as it is untested, I must say that if the profit levels are as large as Expotech assert they are, they should have no difficulty in finding a licensee. Having weighted up all the submissions, I have come to the conclusion that there is less risk of unfairness if I set a zero royalty rate than if I set the royalty at the sort of level Expotech propose, and so that is what I will do. I use the term "risk" quite deliberately. Because I am only dealing with a small part of the overall picture - ie I am only dealing with the GB patent - I do not think there is any way I can come up with a conclusion that will guarantee fairness to both sides.
26. Before I leave the question of royalty, there is one other point I must deal with. BSP raise the question of back royalties that might become payable in respect of sales that have already taken place, pointing out that they have already made some royalty payments to Expotech. On the assumption that I was going to set a non-zero royalty rate, they argue that the £22,500 in royalty they have already paid should be offset against any royalty they now owe.
27. Having set a zero rate, I am reluctant to go further and order the repayment to BSP of moneys that they paid willingly to Expotech some time ago. Moreover, in their submissions they say that "if the Hearing Officer decides that no royalty should be paid one to the other, the potential for conflict and problems between the parties in verifying past sales is avoided" and "if any royalty is to be paid by BSP . . . the £22,000 (*sic*) already paid to Expotech should be offset . . .", and I read this as meaning that they would not press for a refund of past royalties if I were to set a zero rate. Accordingly I propose to make no order in respect of payments already made by BSP to Expotech.

### **Other licence terms**

28. I will now turn to the other licence terms on which there is disagreement, but first I must make a general point. The draft text I have been given is worded as though this were a voluntary licence between the parties. It is not. It is an imposed licence, so it should not be worded as though it were something the parties are agreeing to, and I have reframed the text to reflect this. Similarly, the signature at the end should be mine, not theirs.

### Royalty

29. Having decided to set a zero royalty rate, many of the terms now become redundant and I have struck them out. I do not therefore need to worry about any disagreements on those terms. This also has a knock-on effect on the clause relating to surrender, because if there is no royalty, it is inappropriate for a surrendering party to be able to retain a personal right to work the inventions, as I originally proposed.

### Declaratory relief

30. As I have said, the patent embraces two inventions or inventive concepts and in my decision of 1 April 2004 I found that one belonged in principle to Expotech and the other to BSP. BSP are very keen to have a declaration to this effect in both in an order and in the licence because, they say, it will be very helpful if they have problems with foreign patents or if the validity of the present patent is questioned. They also want the licence to cover explicitly the consequences should one invention later be found to be unpatentable. Expotech are strongly against this. They say that BSP never sought declaratory relief (although they concede I have the power to grant it), and that it would merely create a potential for dispute over the finer nuances of any perceived differences between what I say in my decisions and the way any declarations are worded.
31. Behind these conflicting stances is an issue that has the potential to cause difficulty in the future. Throughout these proceedings, both sides have worked on the presumption that the question of validity is taboo. This, of course, is consistent with past case law which has interpreted section 74 of the Act as meaning that entitlement proceedings must be conducted on the presumption that the patent (or patent application as the case may be) is valid. Thus if documents emerge in entitlement proceedings which cast doubt on whether the invention in question is patentable - and in my experience that is not a rare occurrence - the hearing officer or court must nevertheless press on to decide who owns the patent rights even though in truth there may be no rights to be owned. Whilst this approach may not be efficient, in most cases it is unlikely to be grossly unfair to one side or the other. However, there could be unfairness if, as in the present case, there are two inventions which in principle belong to different parties. If one of the inventions later turns out to be a non-invention, one of the parties could end up with rights that they ought not to have had.
32. This is not a wholly academic point in the present case because, during the course of these proceedings, there have been murmurings about validity. I must emphasise that I am not finding, or even hinting, that one or other invention is unpatentable because the point hasn't been argued before me. However, I am conscious of the fact that I might not be directing joint ownership if one of the inventions had, so to speak, already been taken off the agenda. The question is, what should I do about this now. In the very recent Court of Appeal judgment in *Markem Corporation and others v Zipher Ltd and others* [2005] EWCA Civ 267 (as yet unreported), Jacob L J suggested that, in some circumstances, it might indeed be appropriate for the question of validity to be confronted in entitlement proceedings before the comptroller. Of course neither side has had the opportunity to address me on this Court of Appeal judgment, and at this very late stage in the present proceedings I think it would be inappropriate to invite them to do so. It does, though, reinforce the view I expressed in my oral decision on 16 June 2004 that the parties should have the right to apply to the comptroller for a variation in my order if there is a material change in circumstances, and in particular, if one or more claims were later be found to be, or conceded to be, invalid. The question is, how far should I go at this stage?



33. It is perfectly clear that the parties are taking these positions because each wants to create a situation which will maximise what they would be left with if the patent is later amended. Expotech want to maintain their rights under the patent even if claim 1 gets struck out, arguing that they are entitled to do so because I am directing joint ownership. BSP want to take everything that is left if the Expotech invention goes, and they want to do so without having to come back to the comptroller for a variation in the order because they fear this will just give rise to further wrangling.
34. I have to say that from Expotech's response, BSP's fears seems very justified. I also observe that Expotech's position is not consistent with the finding I made in my decision of 1 April 2004 because I did not find that the second invention belongs to both sides jointly - I found that it belonged in principle to BSP. It is true that the second invention is only claimed in combination with the first invention, but that, as Dr Colley rightly pointed out at the hearing on 16 June 2004, is only because Expotech drafted the patent. It is also true that in my interim decision on 16 June 2004 I said I was going to put the patent in joint ownership and give each side the right to work the other side's contribution. However, that is not, as Expotech seem to be implying, tantamount to a finding that each side is entitled to the other's contribution. Rather, it was the best option I could see for providing a fair balance between the parties as the patent stands at present.
35. Whilst very conscious of the risk that any wording I use could be perceived as not quite on all fours with my decision, I have decided to grant some declaratory relief in order to set a clearer framework for any later application to vary the order and/or licence. However, I am not going to go as far as spelling out too specifically what should happen if some claims are later struck out or amended, for two reasons. First, there are more issues that need to be covered than BSP suggest - eg what should happen about responsibility for paying renewal fees or defending the patent against infringers. Second, the outcome of any challenge to the patent might not be as clear cut as BSP anticipate, in the sense that it might not merely be a question of striking out one claim.

#### Foreign patents

36. BSP want an undertaking from Expotech that they and their sub-licensees will not enforce any foreign patent rights they may have in respect of machines manufactured in the UK by BSP and then sent abroad. They justify this on the basis of the principle of exhaustion of rights. Expotech, though, object to this.
37. Once again I find myself unable to achieve a wholly satisfactory result because I am only dealing with part of the problem. Given the nature of the market and the bitter antagonism between the parties, I can see there is a risk that BSP could be left with nothing if there is no such undertaking. However, I have come to the conclusion that it would be inappropriate to include a term like this. This is partly because I have some doubts about the extent of my jurisdiction, but mainly because I am completely in the dark about what foreign patents might be involved. For all I know they might, for example, include further inventions to which BSP have no right whatsoever, in which case the

undertaking requested by BSP would be quite inappropriate.

### Termination

38. BSP want the licence to be terminated automatically in the event of the insolvency or change of ownership of one party, with all rights thereupon passing to the other side. Expotech say this should simply be treated as a material change in circumstances which gives rise to the right to make an application to the comptroller. Whilst there are clear benefits in reducing the scope for later disputes, I do not feel it is safe to speculate now on what might be appropriate were these circumstances to arise, so I am not including the clauses suggested by BSP. However, I do think it is reasonable to specify what happens if one party is in material breach of the licence conditions, and I have therefore adapted some of BSP's wording to provide for this. I also agree with BSP that 30 days, rather than the 60 suggested by Expotech, is a reasonable time to allow for rectifying material breaches before the termination clause kicks in.

### Amending the patent; action against third parties

39. The draft licence included a provision whereby one party could apply to amend the claims of the patent if the other party agreed. Whilst normally one would expect a request to amend to be agreed between co-owners, I can foresee that causing real problems and unfairness in the present case. If amendment became necessary because it turned out that one invention was non patentable, it could be in the interests of the party whose invention it was to prevent amendment, thereby forcing revocation of the patent and depriving the other party of any rights. I am therefore, very unusually, going to permit one party to apply to amend without first obtaining the agreement of the other, though they must notify the other. Of course this doesn't necessarily mean that amendment would be allowed on the request of one party, but it does keep the option open if the circumstances are such that it would be just to allow the request.
40. A similar problem could arise with the draft clause which required agreement before an action against a third party could be settled. As drafted, one party could decline to participate in the action but nevertheless block any settlement, and that does not seem right. I have therefore re-worded the sub clauses in the section headed "action against third parties under the patent" to prevent this.

### Other terms

41. There are a few instances in which Expotech stuck very rigidly to the text of my oral decision on 16 June whereas BSP expanded it a little. My oral decision was not an attempt to draft the text of a licence or order on the hoof. It was an interim decision and was expressly stated not to be my final decision on the form of order. I made clear that I was only indicating the tenor of the provisions because I realised some of the terms I proposed would need some more flesh added to them. Accordingly, where it seems appropriate I have retained BSP's expanded wording.

42. As proposed in my interim decision and as requested by BSP, I have retained a requirement for prior notification of sub-licences because each party is entitled to know what is going on. However, I am not including any requirement for prior consent because, as Expotech rightly say, this is simply a recipe for dispute and delay.
43. Finally, I have deleted the section on “continuing obligations” as it now seems redundant, and have made clear that a surrendering party loses all rights and obligations. I have also made a few other minor changes to the text.

### **Costs**

44. Costs in proceedings before the comptroller are normally guided by the comptroller’s published scale, though I have the discretion to depart from the scale if I think it appropriate. BSP say I should, and indeed should go so far as to suggest that Expotech should pay BSP’s full legal costs, which they put at over £87,000. They say this is justified because Expotech knowingly misappropriated BSP’s property and then persisted in defending their position even though they could have had no reasonable belief in their case. Expotech, on the other hand, say neither side has won, they have in any case already had to bear the patent prosecution costs and that the just solution should be to make no order for costs.
45. Expotech are not right to assert that neither side has won. BSP have not succeeded on the whole of their claim, but they have succeeded in a substantial part. That shows they were justified in launching it, which would normally be sufficient to entitle them to a costs award in their favour. However, I do not feel there are sufficient grounds for departing from the scale as BSP suggest. It is true that Expotech and their witnesses have not come out of this smelling of roses, but neither have BSP and their witnesses.
46. This has been a relatively time-consuming case, with a four day substantive hearing, a substantial amount of evidence, a further one day hearing and a requirement for additional submissions. Applying the scale, I have come up with a figure of £5000. However, I am going to discount that figure to allow for the fact that the hearing would have taken less time if BSP’s evidence had been better. I am also going to make some further discount to allow for the fact that BSP will be getting some share of the benefit of the unquantified expenses Expotech have incurred in prosecuting the patent application. I therefore award BSP £3000.

### **Conclusions**

47. The comptroller normally incorporates any order in his decision. However, in this case BSP have prepared a separate draft Order, as would be done in the High Court, and I am happy to go along with that. Accordingly, I have annexed an Order, including the licence, to this decision. I have, though, amended the suggested wording for the Order in

a number of respects. For example, I have tried to reflect more accurately the findings made in my previous decisions. I have also eliminated what seems to me to be some meaningless legalistic wording - eg the expression "is and was at all material times the inventor" as I cannot see how someone can possibly be the inventor at some times and not others.

48. For the avoidance of doubt, I should say that the Order also constitutes a certificate for the purposes of section 13(3).

### **Appeal**

49. Under the Practice Direction to Part 52 of the Civil Procedure Rules, any appeal must be lodged within 28 days.

**P HAYWARD**

Divisional Director acting for the Comptroller

**Annex to Decision BL 0/132/05**

**Application under Section 13 of the  
Patents Act 1977 by Roger Michael  
Elliott and under Section 37 by BSP  
International Foundations Limited in  
respect of British Patent 2 351 111**

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**ORDER**

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UPON the trial of a Reference under Section 13 of the Patents Act 1977 made by Roger Michael Elliott.

AND UPON the trial of a Reference under Section 37 of the Patents Act 1977 made by BSP International Foundations Limited.

AND UPON reading and hearing the evidence of the witnesses as specified in Schedule 1 hereto.

AND UPON hearing Counsel for Mr Elliott and BSP and for Expotech Limited.

**IT IS DECLARED THAT:**

1. Duncan Hart is the inventor of the idea of providing two grippers for gripping a pile from the side and from the top respectively, rather than just one which can be pivoted between these two positions, this invention being expressed in claim 1 of UK patent number GB 2 351 111.
2. Roger Michael Elliott is the inventor of the idea of providing direct acting hydraulic cylinders for the gripper jaws, this invention being expressed in claims 2-6 of UK patent number GB 2 351 111.
3. John McHattie is not an inventor of any matter the subject of the UK patent number GB 2 351 111.
4. The invention made by Roger Michael Elliott belongs to BSP International Foundations Limited by reason of its employment of Roger Michael Elliott.

**IT IS ORDERED THAT:**

1. John McHattie's name be removed from and Roger Michael Elliott's name be added to the register as an inventor of the subject matter of UK patent number GB 2 351 111, with Duncan Hart also remaining named as an inventor.
2. BSP International Foundations Limited's name be inserted in the register together with Expotech Limited's name as co-proprietors of UK patent number GB 2 351 111.
3. The changes ordered by paragraphs 1 and 2 above be announced in the Journal, and an addendum slip be prepared for the granted patent mentioning that the inventors are Duncan Hart and Roger Michael Elliott but not John McHattie.
4. BSP International Foundation Limited and Expotech Limited shall each be licensed by the other to work all of the claims of UK patent number GB 2 351 111 on the terms set out in the Licence forming Schedule 2 hereto.
5. Expotech Limited shall bear the costs of applying for and prosecuting to grant UK patent number G 2 351 111 to grant.
6. Expotech do pay the sum of £3000 to Roger Michael Elliott and BSP International Foundations Limited by way of contribution to their costs.

## **Schedule 1**

The evidence of:

### **Referrers**

Roger Michael Elliott

Robert Storey

David Redhead

James Stewart

Steven Codd

### **Respondents**

John McHattie

Duncan Hart

James Stewart

Janis John Mieзитis

was read

and the evidence of:

### **Referrers**

Roger Michael Elliott

Robert Storey

David Redhead

James Stewart

### **Respondents**

John McHattie

Duncan Hart

James Stewart

was heard.

## **Schedule 2**

The licence to be entered into between the parties shall be as follows:

### **LICENCE**

This licence is imposed by the Comptroller between :-

**BSP INTERNATIONAL FOUNDATIONS LIMITED**, an English Company, registration number 194713, of Claydon Industrial Park, Great Blakenham, Ipswich, Suffolk IP6 0JD, England of the first part (hereinafter denoted as BSP)

AND

**EXPOTECH LIMITED**, a company incorporated in the United Kingdom, of Dales Industrial Estate, Peterhead, AB42 3JF, Scotland of the second part (hereinafter denoted as Expotech)

#### **WHEREAS**

1. Expotech applied for and was granted British Patent Number GB2 351 111 (the British Patent) relating to a side clamping vibratory pile driver naming Duncan Hart and John McHattie (hereinafter denoted as Hart and McHattie) as inventors.
2. BSP and Mr Roger Michael Elliott (hereinafter denoted as Elliott) made applications under Sections 37 and 13 of the UK Patent Act 1977 (the Act) to have Mr Elliott named as the inventor for the British Patent and to have BSP named as the proprietor of the British Patent.
3. In his Decision of 1 April 2004 relating to those applications, the Hearing Officer decided that Hart had invented one of the inventions in the patent, that Elliott had invented the second invention in the patent and that McHattie had made no inventive contribution.
4. In an Interim Decision on 16 June 2004 and in the final decision to which this licence is annexed, the Hearing Officer directed that the British Patent should be jointly owned by Expotech and BSP and should be the subject of cross-licences on the terms of this licence.

WITHOUT PREJUDICE TO EITHER PARTY'S RIGHT TO CHALLENGE BY WAY OF APPEAL ANY OF THE DECISIONS REFERRED TO IN THE RECITALS IT IS NOW



ORDERED as follows:

**1. LICENCES**

- 1.1 BSP and Expotech are each hereby licensed under the British Patent to do all such acts in relation to the British Patent as are specified in Sections 60 and 69 of the Act and such licences shall be deemed to take effect from the date of publication of the application for the British Patent (the Application). The licences are royalty free, and may not be revoked save as provided under the provisions of this Licence.
- 1.2 The licences granted under clause 1.1 shall include the right to grant sub-licences to third parties, subject to the prior written notification of the sub-licensee to the other, upon terms which shall be at least as onerous on the sub-licensee as contained herein and the party granting such sub-licence shall be responsible to the other party to this Licence as if the acts of the sub-licensee were its own acts.

**2. RENEWAL FEES**

- 2.1 Expotech shall promptly pay all renewal fees required to maintain the British Patent in force to the British Patent Office.
- 2.2 Expotech shall invoice BSP for half such renewal fees 42 days before such fees fall due, but shall not invoice BSP for any extension fees relating to the late payment of such fees, and shall provide BSP a copy of the renewal certificate to establish that it has paid such renewal fees in due time AND BSP shall pay the invoice for the renewal fee it receives from Expotech not later than 7 days before the date upon which the renewal fee falls due.

**3. ASSIGNMENT OF RIGHTS:**

- 3.1 Neither party may sell, transfer or otherwise dispose of or pledge or mortgage its share in the British Patent without the prior written consent of the other EXCEPT where such disposal is as part of the assignment of the whole or a substantial part of the total business of the party making the assignment. Where this exception applies, the licence shall continue, with the assignee taking over the responsibilities and rights that the assignor previously had.

**4. TERM AND SURRENDER OF RIGHTS:**

- 4.1 This Licence shall have effect from the date of the decision to which it is annexed and, subject to the provisions of this Licence, shall endure for the term of the British Patent, including any extension or prolongation thereof. The licences granted hereunder shall take effect from the date of publication of the Application pursuant to clause 1.1 above.
- 4.2 Either party may by notice in writing given to the other surrender up to the other its share in the proprietorship of the British Patent. Such surrender shall take effect from the receipt of the notice by the other party. At the request of the other party the surrendering party will, at

its own cost, execute all such documents as are reasonably necessary to assign its share in the British Patent to the other party. The surrendering party will thereafter have no rights or obligations under this Licence or in respect of the British Patent.

## **5. TERMINATION:**

- 5.1 This Licence shall terminate if one party (“the defaulting party”) is in significant breach of, or has failed to perform, a material duty or obligation imposed on it under this Licence, including specifically the effecting of or the payment for the renewal of the British Patent, and has failed to rectify that breach or failure within 30 working days of written notice thereof from the other party.
- 5.2 Upon termination, all licences and other rights granted hereunder to the defaulting party and any sub-licences granted hereunder by that party shall automatically be terminated with immediate effect AND that party shall immediately be deemed to have surrendered up to the other party all its beneficial and legal right title and interest in and its share in the British Patent and undertakes that it shall promptly execute all documents, deeds and other things required to give effect to this clause.

## **6. INVALIDITY OF THE PATENT:**

- 6.1 If the British Patent is revoked, this Licence shall terminate.
- 6.2 If the British Patent is found by the Courts or the Comptroller to be partially invalid in a final decision from which there is no appeal or in a decision from which no appeal is lodged within due time, permission to appeal is refused or an appeal is lodged but then withdrawn, such finding shall be considered a material change of circumstances for the purposes of clause 7 below.

## **7. AMENDMENT TO THE LICENCE OR THE PATENT:**

- 7.1 Either or both of the parties may apply to the Comptroller to vary the terms of this Licence if there is a material change of circumstances from the circumstances obtaining at the date of the decision to which this Licence is annexed and the parties are unable to agree a variation AND the applying party shall keep the other party promptly and fully aware of all correspondence and other exchanges between it and the Patent Office relating to that application AND the other party shall have the right to make representations relating thereto to the Patent Office.
- 7.2 Either or both of the parties may apply to the Comptroller to amend the claims of the British Patent, for example to overcome an actual or threatened attack upon the validity or legal enforceability of one or more of the claims AND the applying party shall keep the other party promptly and fully aware of all correspondence and other exchanges between it and the Patent Office relating to that application AND the other party shall have the right to make representations relating thereto to the Patent Office.

**8. ACTION AGAINST OR BY THIRD PARTIES:**

- 8.1 Both parties shall if so requested by the other join their names in any action brought by the other to enforce the British Patent against third parties or defend it against attack by any third party.
- 8.2 Each party shall bear its own costs in any such action.
- 8.3 In the event that costs, damages or other penalties are awarded against the third party as a result of such action, any such costs, damages or other awards against the third party shall be split between BSP and Expotech according to the relative proportions of the legal costs each has incurred in pursuing or defending that action.
- 8.4 Notwithstanding the provisions of clause 8.1 to 8.3 above, each party shall have the right to decline to participate in any such action and to incur costs in pursuing or defending such an action AND the party declining to participate shall not receive any part of the costs or damages awarded AND if the validity of one or more of the claims of the British Patent is successfully challenged during such action, then the terms of clauses 6 and 7 shall apply.
- 8.5 Neither party may settle any such action without the prior written consent of the other party unless the other party has declined to participate under clause 8.4 above. The party wishing to settle shall provide full documentation of all negotiations and proposals for settlement to enable the other party to reach a decision based on all the relevant facts AND any such settlement shall be on terms which are no more beneficial to the third party than the terms of this Licence.

**9. COMMUNICATION AND NOTICES:**

9. All communications between the parties and any notices required under the terms of this Licence shall be in writing and sent by recorded delivery addressed to Dummett Copp at 25 the Square Martlesham Heath IPSWICH Suffolk IP5 3SL for BSP and to Jensen & Son at 366-368 Old Street, London EC1V 9LT for Expotech (or such other address for delivery of communications as may be notified by one party to the other in writing) and shall be deemed to have been received by the other party one working day after the same was sent. For any communication by fax or e-mail to be effective, it must be confirmed the same day by a copy sent by recorded delivery.

P HAYWARD

Divisional Director, acting for the Comptroller

**Application under Section 13 of the  
Patents Act 1977 by Roger Michael  
Elliott and under Section 37 by BSP  
International Foundations Limited in  
respect of British Patent 2 351 111**

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**(1) ROGER MICHAEL ELLIOTT  
(2) BSP INTERNATIONAL  
FOUNDATIONS LIMITED  
ORDER**

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