



BL O/046/07

14 February 2007

PATENTS ACT 1977

BETWEEN

I.D.A. Limited, Colin Thomas Metcalfe,
David Julian Lax and Polymer Powder
Technology (Licensing) Limited

Claimants

and

The University of Southampton, Philip
Edwin Howse and Roger Edward Ashby

Defendants

PROCEEDINGS

Reference and application under section 8, 12 and 13 of the Patents Act 1977
in respect of UK application GB 9814507.1, international application
PCT/GB99/02090, European application 99929525.6, Australian application
4631799 and applications deriving or claiming priority therefrom

HEARING OFFICER

R C Kennell

DECISION

Edited version: Open to public inspection
(This version omits matter at paragraphs 29 and 30)

- 1 This decision settles the costs before the comptroller in proceedings relating to a bundle of applications relating to the trapping and killing of insects such as cockroaches. This was to have been decided at a hearing on 6 November 2006, following which I gave an order (see decision BL O/320/06) determining the rights of the parties in accordance with the judgment and order of the Court of Appeal that Colin Metcalfe was the sole deviser of the invention and that I.D.A. Limited was entitled to the patent applications instead of the defendants. However, the matter of costs was adjourned to a further hearing on 14 December 2006 when, once again, James St Ville, instructed by Raworth, Moss & Cook, appeared for the claimants and Daniel Alexander QC, instructed by the University of Southampton's Legal Services, appeared for the defendant.

PRELIMINARY MATTERS

- 2 Before dealing with costs, it was necessary for me to decide a number of preliminary points. Mr St Ville's argument that the claimants were entitled to costs off the comptroller's normal scale on account of the defendants' unreasonable behaviour had generated substantial submissions and evidence from both parties, with the defendants disputing whether the claimants' response to their evidence was strictly in reply in accordance with the terms of my order above. The parties were also at loggerheads as to whether the names of two witnesses, identified as "X" and "Y", who had previously given evidence in the proceedings should remain confidential. In addition, questions remained about whether the parties' evidence contained "without prejudice" documents relating to attempts to settle their dispute which ought to remain privileged.

Admissibility of evidence

- 3 Before the hearing, Mr St Ville and Mr Alexander were able to reach agreement on the admissibility of the evidence as a result of which I made the following order:

UPON the parties agreeing that

1. any without prejudice matter in the statements and exhibits filed for the purpose of this hearing and the hearing on 6 November 2006 may be referred to for the purpose of the question of costs but shall otherwise remain privileged
2. the witness statements of the Claimants served in Reply and the further witness statement of Mr Raven shall be admitted into evidence

IT IS ORDERED THAT:

1. Any without prejudice documents shall be admitted to the proceedings solely for the purpose of allowing the hearing officer to decide on the matter of costs and such documents (including the transcript of the hearing) shall not be placed on the public file until the without prejudice material has been redacted.
2. For that purpose the hearing shall be heard in camera insofar as is necessary but the attendance of the parties and all their representatives attending the hearing shall be allowed.

Privilege and confidentiality

- 4 It was agreed at the hearing that the parties would attempt to identify the "without prejudice" material. The parties have since been able to agree on the material which should be redacted and have supplied appropriately marked copies of the documents.
- 5 Having heard arguments from counsel on whether the names of X and Y should remain confidential, I reserved my decision and ruled that the witnesses should not be identified by name at the hearing. My decision on this point

follows.

- 6 In their letter of 17 November 2006 the defendants say they want to keep the names confidential because they have given assurances to X and Y that they would seek at all times during the proceedings not to have their names disclosed except under confidentiality restrictions. They say that they do not wish to prejudice good relations with a commercial sponsor to whom they remain bound by confidentiality obligations under a research agreement; X is still employed by the sponsor and Y, though no longer employed, still acts for the sponsor as a consultant. Although the name of the sponsor is not stated in the letter, it is not now subject to confidentiality directions – it is Reckitt & Coleman.
- 7 The claimants did not think this was justified – they said they had seen no reason for the names to be kept secret in the first place and had only compromised on this before the hearing in order to avoid an unnecessary preliminary dispute. They saw no prejudice to the defendants in naming the witnesses in the absence of any explanation of what harm would occur if the names were made public. Indeed, Mr St Ville pointed me to a number of documents on the public file of the proceedings (including published patent applications) which showed that the names of X and Y, their association with Reckitt & Colman, and Reckitt & Coleman’s funding of research at the University into bioelectrostatics for insect control were matters of public knowledge.
- 8 Mr St Ville took me to the judgment of the Court of Appeal in *Lilly Icos Ltd v Pfizer Ltd (No 2)* [2002] EWCA Civ 2, [2002] 1 WLR 2253 in support of his arguments. This emphasised that the starting point was that there had to be good reasons for departing from the normal rule of publicity and that a simple assertion of confidentiality, even if supported by both parties, would not suffice. The court however accepted that in striking the balance it would be necessary to have regard to such factors as the centrality of a document to the proceedings, the possible “chilling” effect of any confidentiality order on third parties, and avoiding an approach which would unnecessarily force trials to be held in private in order to protect the genuine interests of the parties.
- 9 Mr Alexander did not think that the reasoning in *Lilly Icos* was sufficient to displace an order which should prima facie remain in place in the absence of good reason to vary it. He emphasised that we were now looking at lifting confidentiality after the proceedings and that the considerations of “open justice” in *Lilly Icos* were not relevant now that the proceedings were over. In his view, neither of the witness statements appeared to have played any significant role in the proceedings (or any role indeed upon appeal) and there was no need for an interested spectator to have access to the material. That may be true of the statements, but the point in issue is the names of X and Y rather than the contents of their evidence, and X at least has some considerable significance in the proceedings (see Mr Dennehey’s substantive judgment at paragraphs 54(f) and 108 – 112).
- 10 I am not convinced that there is any longer a justification for keeping the names of X and Y confidential, particularly in the light of the documents to

which Mr St Ville has drawn my attention. Indeed I had some reservations about this matter in the preliminary proceedings, but was prepared to accept the parties' compromise in order to avoid further delaying the substantive hearing. However, notwithstanding any assurances given by the defendants to these persons and to Reckitt & Coleman, I do not think it is desirable in the interests of open justice that witnesses should be allowed to keep their names secret in this way in the absence of some good reason to indicate that harm that would ensue from making them public. Whatever might have been the position at the hearing, I do not think that the reasons given by Mr Alexander are sufficient for continuing to keep the names of X and Y confidential indefinitely.

- 11 I note that the public documents show an association between Reckitt & Coleman, X and Y and the University over electrostatic materials, but are silent as regards magnetic materials. However, the defendants have not put the subject matter of the collaboration forward as a reason justifying continued confidentiality and it is not therefore a point which I need to consider further.

Order

- 12 In consequence of the above, I order that
- (i) my confidentiality directions of 20 December 2002 (which consolidates the directions in force at that point), and the directions in Mr Dennehey's decision O/265/03 of 29 August 2003 concerning the confidentiality of the substantive hearing transcript, should be varied with effect from the date of expiry of the appeal period below so that the identity of X and Y in any documents which are open to public inspection on the file of the proceedings, whether filed before or after this decision, is no longer kept confidential;
 - (ii) the material identified by the parties as without prejudice in the documents relating to the final proceedings, and the portions of the hearing transcript relating to this material and marked as private, should be redacted from the versions of these documents which are placed open to public inspection; and
 - (iii) the remainder of the documents relating to the final proceedings should be laid open to public inspection. This replaces all previous directions which I have given in respect of this material, which are hereby revoked.

COSTS

- 13 It is not disputed that the costs which I have to consider are those relating to the preliminary proceedings before me, to the substantive hearing before Mr Dennehey, and to the proceedings before Mr Probert and then me since the matter was remitted to the comptroller following the Court of Appeal's judgment. No order will be necessary in respect of my first preliminary

decision, in which I ordered that each party should bear its own costs.

Evidence and supporting documentation

- 14 As stated above the evidence and submissions filed by the parties is substantial. Witness statements, in each case with accompanying exhibits, have been filed:
- for the claimants by Claire Lamkin and Timothy Bain-Smith (respectively their solicitor and patent attorney);
 - for the defendants by Barbara Halliday (Head of Legal Services for the University), Georgina Richards and Anthony Raven (Senior Legal Adviser and Director, respectively, of the University's Centre for Enterprise and Innovation), Rohan Setna (the defendants' UK patent attorney) and Richard Fichter (the defendants' US patent attorney);
 - in reply for the claimants, by Claire Lamkin and Timothy Bain Smith, and also by John Cox (Miss Lamkin's supervisor), and Allan Churchman and Ralph Brown (both of I.D.A. at the relevant time);

in addition the claimants have filed a large volume of supporting documents, including fee notes, invoices, correspondence (both open and without prejudice) over the course of the proceedings in the proceedings, and a chronology of events since March 2001. The evidence has not been tested by cross-examination.

The principles to be applied

Compensatory Costs

- 15 The claimants have put forward an extensive case for costs to be paid on a compensatory basis rather than on the comptroller's normal scale representing a contribution to costs. They base this on the principles applied in *Rizla Ltd's Application* [1993] RPC 365 and developed in Tribunal Practice Notice 2/2000 [2000] RPC 598, and the decisions of the comptroller in cases such as *Stafford Engineering Service Ltd's Licence of Right (Copyright) Application* [2000] RPC 797 and *Statoil v University of Southampton* (BL O/268/05). They rest their case on four broad heads of conduct by the defendants, which they allege have caused them to incur substantial extra costs:
- maintaining a claim which they knew to be unjustified;
 - undermining the claimants at key moments;
 - conduct of the preliminary proceedings; and
 - unreasonable and obstructive behaviour in the transfer of the foreign applications to the claimants following the judgment of the Court of

Appeal.

- 16 As the claimants state, rightly in my view, practice has developed since landmark *Rizla* case confirmed that the comptroller has a wide discretion to award off-scale costs. This is clear from paragraphs 8 – 9 of TPN 2/2000. As the Patent Hearings Manual, Chapter 5¹ explains at paragraphs 5.47 – 5.48 the comptroller’s discretion will be used to deal proportionately with unreasonable behaviour in fighting a case (of which paragraph 5.47 lists a number of examples). The departure from the scale will be commensurate with the extra expenditure incurred.
- 17 There was some disagreement between the parties as to how much practice had in fact been changed by the issue of TPN 2/2000. Mr St Ville thought that the criterion of unreasonableness represented a broadening of the *Rizla* line, while Mr Alexander’s view was that the behaviour would still have to be “something pretty extreme”, akin to the “mala fides, improper motive, or cynical or vexatious approach” referred to in *du Pont de Nemours and Co (Rebouillat’s) Applications* [1996] RPC 740 at page 750 lines 19 -24. He thought that *Statoil v University of Southampton*, was an example: here substantial compensatory costs were awarded by against the University because it had argued a case which was completely contrary to the evidence of its own witnesses.
- 18 I accept that the criterion is now unreasonable behaviour, but I believe I should take care to be satisfied that the unreasonableness is clear and significant before awarding compensatory costs. As is mentioned in *Rizla* at page 375 lines 19 – 25, it is almost inevitable in entitlement cases - particularly in a long running and bitter dispute such as this – that there will be acute conflicts of evidence with inferences that one side or other has behaved reprehensibly or dishonestly, and the fact that such allegations are made does not of itself justify costs off the scale.
- 19 The following guidelines also emerge from the previous decisions of the comptroller in cases such as *du Pont* and *Statoil*:
- the fact that someone has lost a case does not of itself mean that their behaviour was unreasonable – otherwise the scale is meaningless;
 - that a party might be deterred from proceeding because it might recover only a fraction of its costs if successful is not a reason for overturning the traditional view of scale costs which builds in a degree of predictability. Costs incurred before the comptroller are largely under the control of the parties, eg decisions on whether to employ counsel;
 - (bearing in mind that under the 1977 Act entitlement disputes have to be brought before the comptroller) a different approach should not be adopted depending on whether or not the party has the option of going to the courts to resolve the dispute;

1 <http://www.patent.gov.uk/hearings-chapter05.pdf>

- even where a litigant had spend a great deal of money relative to its size in having to pursue a case that might have been resolved at the outset, and even though matters could have been dealt with more speedily, that does not of itself justify a departure from the scale; and
- a detailed assessment of costs before the comptroller will seldom be sensible; the correct approach is to assess the proportion thought appropriate.

Administrative costs

- 20 Here the claimants ask me to exercise the power of the comptroller, either under section 12 to make such order as he thinks fit to give effect to his determination on entitlement or under section 107 to make an order for costs, so as to ensure that the defendants pay the various fees and charges which have been incurred as a result of the defendants' unreasonable behaviour. On this Mr St Ville drew my attention to the *du Pont* case in which the hearing officer awarded "vesting costs" to the referrer: as explained at [1996] RPC page 753 lines 1 – 15, these are the costs "necessary to put into effect that which du Pont now acknowledge should have been the situation from the outset, namely that the applications should have been filed in joint names."
- 21 Mr St Ville suggested that this was just one example of the type of costs in relation to overseas applications which should be borne by the wrongful applicant for a family of patents in an entitlement action if justice was to be done. In his skeleton argument he advanced the general proposition that
- "... once it has been established that the applicant wrongfully made the applications in breach of confidence, it would be unjust for the persons properly entitled to the application to suffer the detriment of meeting the reasonable costs of ensuring that the status quo is maintained whilst the entitlement dispute is resolved, the renewal fees for the applications whilst transfer of the applications is being resisted or the costs of transferring the applications once the question of entitlement has been completely resolved."
- 22 In the absence of any other authority, I do not take *du Pont* as authority for a proposition of that width. The hearing officer directed the payment of reasonable vesting costs involved in implementing the terms of his decision; the term "vesting costs" is not defined, but it appears from paragraph 2 of the hearing officer's conclusions that all he contemplated was the relatively limited category of events necessary to vest joint ownership and to register the joint title. I do not think this extends to every act necessary to ensure that the status quo is maintained, for the following reasons.
- 23 Although the comptroller's powers under both sections 12 and 107 are widely drawn, I do not think an award of costs is generally something which is required to "give effect" to the determination on entitlement (as section 12 states). In my view the award of costs in these proceedings should be

governed by section 107. Section 107(1) gives the comptroller the power to award such costs “as he may consider reasonable” and this is the criterion which I must keep in mind. As explained at paragraph 5.51 of the “Patent Hearings Manual”, with reference to *du Pont*:

“Scale costs are the usual way of dealing with the expenses of the litigation, but sometimes the hearing officer will be asked to take other expenses into account, eg the expenses incurred in prosecuting a patent application to which they have now been found not to be entitled. The hearing officer is entitled to take these into account as an addition to or offset against scale costs. However, care is needed because the other party will have had no say in the magnitude of the expenses incurred.”

- 24 Here the successful referrers are asking me take into account costs involved in prosecuting applications to which they have been found entitled. In this situation I believe that I need to take particular care to draw a boundary between costs which the claimants have needlessly incurred as a result of unreasonable actions by the defendants, and ongoing prosecution costs which the claimants would have to pay anyway.

Arguments and analysis

- 25 In the light of the above I will now consider each of the claimants’ heads of argument.

Maintaining an unjustified claim

- 26 The claimants believe that the defendants maintained a claim to sole ownership long after Professor Howse and Mr Ashby ought to have known this was unsustainable, and that they made spurious allegations about prior inventorship in reliance on mosquito repellents. The claimants’ case is based on what they say the defendants ought to have inferred from the evidence of Professor Howse, Mr Baxter and the witness X. The defendants do not believe the matter to have been anything like as clear cut, pointing out that the comptroller, the Patents Court and the Court of Appeal had each taken different views of what the inventive concept actually was, and that there was documentation which they thought showed that the claimants did not in fact believe they were solely entitled. The defendants also expressed doubts whether the matter would have proceeded smoothly even if they had been prepared to drop a claim to sole ownership: they noted that the claimants had pressed a claim for sole ownership even when the defendants had been prepared to go for joint ownership before the Patents Court, and drew my attention to documents which in their view suggested that the claimants were primarily interested in a financial settlement.
- 27 I do not see any need to go into the detail any further. It seems to me that the allegations which the parties are making are par for the course in a bitterly fought dispute on entitlement and I do not think the evidence resolves the matter one way or the other. I do not think the matter was at all as clear cut as the claimants are suggesting, and this in my view is apparent from Mr Dennehey’s substantive decision at paragraphs 108 – 112. I do not see this

as a case like *Statoil* in which the defendants can be said to have mounted a case which was so completely at odds with what their witnesses were saying as to justify off-scale costs.

- 28 The claimants have of course won their substantive case. However, as I have explained above, it does not follow that because the defendants have lost their behaviour was necessarily unreasonable, even though the testimony of their main witness, Professor Howse, was found to be wanting. It is all very well for the claimants to look back over the proceedings and identify a point at which it might have saved them a great deal of money if the defendants had thrown in the towel, but that does not mean that the defendants did not still have an arguable case at that point.

Undermining the claimants at key moments

- 29 The claimants point to two specific instances of conduct by the defendants – the failure to carry out an independent review before proceedings were entered into and conduct which they regarded
- 30 The claimants believe that by September 2001 it was clear that the defendants were dragging their heels over the setting up of a promised independent review into the ownership of the patent applications; therefore in order not to lose the ability, once any foreign patents were granted, to deal with entitlement in one action before the Office they were left with no choice but to refer the matter to the comptroller. The defendants think this was premature and point to continuing attempts to resolve the matter.
- 31 Again, this comes down to differing interpretations of events by the parties which the evidence does not to my mind resolve. As with the previous head of argument, I do not think the matter is so clear-cut as the claimants suggest, bearing in mind that there do appear to have been continuing attempts to resolve the dispute by negotiation, even if attended by delays and doubts on each side about the good faith of the other. I do not see anything here to justify costs off the scale.

Conduct of the preliminary proceedings

- 32 As I have mentioned, the proceedings in issue are those relating to my second, third and fourth preliminary decisions in which I reserved a decision on costs. The claimants complain of the slowness of the defendants in disclosing relevant documents and the manner in which the proceedings were conducted. They believe that the whole tenor of the defendants' approach was one of non-cooperation, particularly on matters of disclosure and confidentiality. They do not accept the defendants' view that if anything they came out marginally ahead of the claimants in terms of reasonableness on the particular points under consideration.
- 33 In deciding what costs are appropriate, I think that I should adopt the approach in paragraph 5.42 of the Patent Hearings Manual and look at who was successful in respect of the particular points and make no award if the issues

were fairly evenly balanced. Having reviewed the decisions, it is clear that the preliminary disputes, which were to do with disclosure, inspection and confidentiality of documents, were hard fought. However, I do not see any conduct which was sufficiently unreasonable in the context of the dispute as to warrant the award of costs off-scale.

- 34 The claimants in a note of scale costs which they have submitted suggest an amount of £2250 for each of the three sets of preliminary proceedings in respect of preparation and attendance. I do not see how that can be justified. No hearings took place before I gave my second and third decisions, which were taken on the basis of the papers and correspondence on file. Also, it seems to me that although the balance was considerably in favour of the claimants on the second, the issues were fairly evenly balanced on the third since I refused a considerable number of the claimants' requests for disclosure. The fourth decision followed a case management conference but again it seems to me that the issues were fairly evenly balanced in view of the agreement that the parties had been able to come to. None of the three sets of proceedings required the preparation of any evidence.
- 35 I will therefore award the claimants £500 in respect of the second preliminary proceedings, but direct that the parties should bear their own costs in respect of the third and fourth preliminary proceedings.

Behaviour concerning the transfer of applications to the claimants

- 36 The claimants seek to justify compensatory costs on the grounds of the defendants' unreasonable and obstructive behaviour as regards the transfer of the foreign applications, their failure to provide complete copies of the prosecution files in accordance with the Court of Appeal's order, and their failure to comply with my order in O/320/06 concerning transfer of the applications.
- 37 The claimants allege that throughout the period after the Court of Appeal's decision they were forced into considerable sums of expenditure because the defendants, although purporting to transfer control of the prosecution to the claimants' patent attorneys, had delayed making effective assignments of the applications (which they suspect was an attempt to protect the position of a licensee) and only taken action when a hearing was in prospect. The defendants dispute this, pointing out that matters had been delayed by a petition to the House of Lords (ultimately unsuccessful) and by the fact that the matter had actually been referred by the Court to the comptroller in order to determine what orders should be made under section 12. No transfers could therefore be made until that determination. However, the claimants point to earlier draft orders they had submitted which the defendants appeared to have ignored.
- 38 The defendants have offered to pay "vesting" costs along the lines in *du Pont*, but the parties do not agree as to what might be a reasonable amount. Although Mr St Ville and Mr Alexander attempted to prepare a joint note on this after the hearing, they were not able to reach agreement and made separate

further submissions. The claimants seek to recover a sum of around £65000 as costs of maintaining the applications which they think they should not have to bear. The defendants believe that a sum of £14000 plus any renewal fees paid since the decision of the Court of Appeal is more realistic, and are prepared to pay.

- 39 As I have stated above, I do not accept the general proposition which Mr St Ville was trying to establish concerning the costs to which the defendants were entitled. Also, I have found it impossible from the sheer volume of correspondence and invoices filed by the claimants to split out from the ongoing prosecution costs what might be regarded as reasonable vesting costs. The matter is not helped by the bickering between the parties as to who agreed to pay for what, and whether particular work done by the claimants was necessitated solely by the defendants' delays or would have to have been done anyway by the claimants to prosecute the applications. This to my mind illustrates the point made in *Statoil* that a detailed assessment of costs will seldom be appropriate in proceedings before the comptroller.
- 40 Although, in the light of the arguments before me at the hearing on 6 November 2006, I think the defendants have to some extent dragged their feet in the matter of sorting out the assignments and transfers, I am not convinced that sufficient reason has been shown for compensatory costs to be awarded. I do not think the claimants have made out a case for going beyond what the defendants are prepared to pay, and will therefore order the defendants to pay that sum, which is itemized and appears reasonable to me. (The defendants did not think that renewal fees really came into the category of vesting costs, but were prepared to pay them having agreed not to let any patents lapse pending orders for transfer).
- 41 As to whether the terms of my order in O/320/06 had been complied with, it transpired at the hearing that some of the delay was due to unexpected absence of key personnel for family reasons. It was not entirely clear to me whether anything still remained to be done by the defendants, but for the avoidance of doubt I will cover this in my order.

Assessment of costs

- 42 The claimants have not in my view established any case for compensatory costs to be awarded. I therefore propose to award costs on the comptroller's normal scale, in addition to the amount above which the defendants have agreed to pay. However, I do not go along with the itemized assessment of £28500 which the claimants have suggested as scale costs in this case. Thus:
- For the preliminary hearings I have suggested an award to the claimants of £500.
 - For the substantive hearing lasting six days, I think the claimants are entitled to costs at the maximum limit of the scale, which I assess at £8800. I note that the claimants' assessment of scale costs double-counts for evidence in chief and evidence in reply. However this is not

in accordance with the scale, which merely provides a single sum in respect of preparation and filing of evidence.

- For the final proceedings I think that the balance was in favour of the claimants on the 3 October and 6 November hearings, having regard to the form of order actually made which favoured the claimants. However, for the 14 December hearing, the claimants have failed to make out a case for compensation (although successful on the preliminary confidentiality point). Overall the balance is about equal and I direct each party to bear its own costs.

43 I am sure that this decision will disappoint the claimants in view of the very large sums that they were seeking by way of compensation, which has no doubt dictated the way in which they presented their case. I have allowed the parties considerable leeway in the filing of evidence and submissions, but, voluminous though they were, they have not proved to be a very satisfactory way of dealing with the matter - they have not resolved the allegations of misbehaviour which are only to be expected in such lengthy and bitterly contested entitlement proceedings, or pinpointed the areas where compensatory costs might have been justified. All that I have is two conflicting views about the conduct of the parties which are all but impossible to resolve without cross-examination of the witnesses – something which would seem wholly disproportionate in proceedings before the comptroller merely to settle costs. As I stated in my previous decision, it is most undesirable that such proceedings should become a subsidiary set of litigation in its own right.

Order

44 I therefore order the defendants to pay the claimants the sum of £23300 plus the cost of any renewal fees up to the date of this decision since the decision of the Court of Appeal (less any sum that they have already paid to the claimants), within 7 days of the expiry of the appeal period below. Payment will be suspended in the event of an appeal.

45 I also order the defendants, if they have not already done so, to complete any acts necessary to comply with paragraph 1 of my order in O/320/06 within 28 days of the date of this decision.

APPEAL

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

R C KENNEL

Deputy Director acting for the Comptroller