



**PATENTS ACT 1977**

BETWEEN

Coupling Technology Limited

Claimant

and

Coupling Solutions LLC

Defendant

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PROCEEDINGS

Reference under sections 8 and 12 of the Patents Act 1977  
in respect of patent application numbers  
GB 1018849.8, GB 1107429.1 and PCT/US2011/059757

HEARING OFFICER

A C Howard

Mr Chris Aikens of 11 South Square, instructed by Appleyard Lees,  
represented the Claimant

Mr Harris Bor of Wilberforce Chambers, instructed by Page, White & Farrer,  
represented the Defendant

Hearing date: 27 June 2013

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**DECISION**

**I. Introduction**

- 1 Coupling Technology Limited has made a reference under section 8(1)(a) and 8(3)(c) of the Patents Act 1977 ("the Act") claiming to be entitled to patent applications GB 1018849.8 and GB 1107429.1, and seeking to be named as patent applicant in respect of both applications. An equivalent reference has also been made under section 12(1)(a) in respect of an international patent application, PCT/US2011/059757.
- 2 Application number GB 1018849.8 ("GB10") was filed on 8 November 2010 in the name of Mr Paul A Davidson but now proceeds in the name of Coupling Solutions LLC. It was published as GB 2 485 350 A on 16 May 2012. Mr Davidson is named as the inventor.
- 3 Application number GB 1107429.1 ("GB11") was filed on 4 May 2011 in the name of Coupling Solutions LLC, claiming priority from GB10. It was published as GB 2 488 607 A on 5 September 2012. Mr Davidson and Mr Joseph Parisi are named as the

inventors.

- 4 Application number PCT/US2011/059757 (“PCT11”) was filed on 8 November 2011 in the name of Coupling Solutions LLC, claiming priority from GB10, GB11 and two other US patent applications. It was published as WO 2012/064725 A2 on 18 May 2012. Mr Davidson, Mr Joseph Parisi and Mr Anthony Parisi are named as the inventors.
- 5 Coupling Solutions LLC disputes the reference in respect of all three applications.
- 6 The applications relate to couplings typically for use in connecting lengths of pipe. Each comprises a single independent claim and a number of subordinate claims. Claim 1 of GB10 and claim 1 of PCT11 are identically worded, while the wording of claim 1 of GB11, although differing slightly, is very similar in scope. Each of the two later applications includes embodiments not present in its predecessor(s) and this is reflected in the respective sets of subordinate claims. I recite the wording of claim 1 of GB10 and PCT11 below:

*A pipe coupling for connecting the ends of two tubular conduits comprising:*

*an annular gasket arrangement for straddling and for forming a seal against two such conduit ends;*

*a casing arrangement for surrounding the gasket arrangement, which casing comprises a pair of radially inwardly extending projection arrangements, each projection arrangement for engaging an annular groove formed in each such conduit end; and*

*a fixing sleeve slideably mounted around the casing arrangement, wherein an outer profile of the casing arrangement is tapered and an inner profile of the fixing sleeve is correspondingly tapered, such that the fixing sleeve may only be fitted to the casing arrangement in one direction and whereby the fixing sleeve and casing arrangement comprise fixing means to secure the fixing sleeve in position on the casing arrangement.*

## **II. The proceedings thus far**

- 7 The Claimant filed their reference on 3 August 2011. The Defendant filed their counterstatement on 4 October 2011, and I issued a Written Preliminary Evaluation on 13 December 2011.
- 8 On 3 January 2012, the Defendant wrote to suggest that the proceedings be stayed, pending the determination of US proceedings which were launched by them in the US District Court in Florida on 29 December 2011. The Claimant disagreed and, after a hearing on 28 February 2012 and then further developments in the US proceedings, I issued a decision on 6 July 2012 refusing the application for a stay.
- 9 Evidence rounds then followed in the usual way, and by May 2013 the proceedings had reached the stage of a substantive hearing being appointed, for three days in late June 2013.
- 10 On 10 May 2013 counsel for the parties had agreed a timetable for the examination and cross-examination of witnesses at the substantive hearing. However, on 22 May

2013 the Defendant wrote to the Comptroller to request a postponement of the substantive hearing until September or October “due to a scheduling conflict”. The Claimant opposed this request for postponement.

- 11 At a case management conference and hearing held by telephone on 30 and 31 May 2013, I heard from both parties in relation to the request, and on 31 May I gave an oral decision refusing the request for postponement and giving my reasons for doing so. A further decision on 5 June 2013 dealt with the matter of costs in relation to the postponement question only.
- 12 The Defendant subsequently confirmed that they would file a skeleton argument for the hearing, but that neither they nor their witnesses would appear or otherwise participate in the hearing.
- 13 The Claimant’s witnesses thus had no need to attend the hearing in order to be cross-examined. In the event, the hearing went ahead on 27 June 2013 and I simply heard submissions from Mr Aikens for the Claimant. He expanded on the points presented in his skeleton, and gave me his submissions on points made by the Defendant in their skeleton.

### **III. Overview of the Claimant’s case**

- 14 The Claimant’s case is that they alone are entitled to be granted patents in respect of GB10, GB11 and PCT11 because of an enforceable agreement (the “Consultancy Agreement”) that they had with Mr Davidson at the time that the inventions in question were made. They also rely on a non-disclosure agreement (referred to as the “Parisi NDA”) which was signed between the Claimant and a company affiliated to the Defendant just before the first disclosure of information by Mr Davidson.
- 15 Their position is that Mr Davidson was not entitled to file GB10 in his own name, nor was he entitled to assign it to the Defendant. Instead they say that the rights to the invention in GB10 always belonged to them by virtue of the Consultancy Agreement. They say that the rights in GB11 and PCT11 belong to the Claimant on the same basis.
- 16 The Claimant also says that the Defendant was aware at all times that the Claimant was the owner of all patent applications resulting from inventions made by Mr Davidson, and that the Defendant has “attempted to misappropriate such applications by procuring assignments from Mr Davidson to the Defendant”.

### **IV. Overview of the Defendant’s case**

- 17 The Defendant’s case is that the Claimant is not entitled to be granted patents in respect of GB10, GB11 or PCT11. The Defendant says that the Consultancy Agreement does not have the effect claimed by the Claimant and, without that effect, the Claimant has no claim to entitlement.
- 18 Further, they say that the technology which is the subject of GB10, GB11 and PCT11 was not developed by Mr Davidson from services he provided under the Agreement, but was developed in collaboration with representatives of the Defendant after it was determined that the original invention in question was “not viable”.

- 19 In the alternative, the Defendant says that – even if the inventions did fall within the Agreement and were assigned to the Claimant – Mr Davidson then re-assigned those inventions to the Defendant by virtue of actual or ostensible authority to do so on behalf of the Claimant. They also argue that the Claimant is now estopped from claiming otherwise. They say that, during “numerous contacts”, representatives of the Claimant failed to inform the Defendant of any arrangements giving rise to the Claimant’s earlier rights, or of any such rights themselves.
- 20 Further in the alternative, the Defendant points to section 33 of the Act as showing that the Claimant has no right to entitlement. They say, under the terms of section 33, that they are entitled to GB10 and GB11 even if the Claimant had an earlier right (which of course they deny).

## **V. The law**

- 21 Section 8 concerns pre-grant proceedings in relation to entitlement of UK patent applications, and the relevant parts of the provision say:

*(1) At any time before a patent has been granted for an invention (whether or not an application has been made for it) –*

*(a) any person may refer to the comptroller the question whether he is entitled to be granted (alone or with any other persons) a patent for that invention or has or would have any right in or under any patent so granted or any application for such a patent; or*

*(b) any of two or more co-proprietors of an application for a patent for that invention may so refer the question whether any right in or under the application should be transferred or granted to any other person;*

*and the comptroller shall determine the question and may make such order as he thinks fit to give effect to the determination.*

*(2) Where a person refers a question relating to an invention under subsection (1)(a) above to the comptroller after an application for a patent for the invention has been filed and before a patent is granted in pursuance of the application, then, unless the application is refused or withdrawn before the reference is disposed of by the comptroller, the comptroller may, without prejudice to the generality of subsection (1) above and subject to subsection (6) below –*

*(a) order that the application shall proceed in the name of that person, either solely or jointly with that of any other applicant, instead of in the name of the applicant or any specified applicant;*

*(b) where the reference was made by two or more persons, order that the application shall proceed in all their names jointly;*

*(c) refuse to grant a patent in pursuance of the application or order the application to be amended so as to exclude any of the matter in respect of which the question was referred;*

*(d) make an order transferring or granting any licence or other right in or under the application and give directions to any person for carrying out the provisions of any such order.*

*(3) Where a question is referred to the comptroller under subsection (1)(a) above and –*

*(a) the comptroller orders an application for a patent for the invention to which the question relates to be so amended;*

*(b) any such application is refused under subsection 2(c) above before the comptroller has disposed of the reference (whether the reference was made before or after the publication of the application); or*

*(c) any such application is refused under any other provision of this Act or is withdrawn before the comptroller has disposed of the reference, (whether the application is refused or withdrawn before or after its publication)*

*the comptroller may order that any person by whom the reference was made may within the prescribed period make a new application for a patent for the whole or part of any matter comprised in the earlier application or, as the case may be, for all or any of the matter excluded from the earlier application, subject in either case to section 76 below, and in either case that, if such a new application is made, it shall be treated as having been filed on the date of filing the earlier application.*

22 Section 12(1) is couched in similar terms to section 8(1) but applies (inter alia) to international applications filed under the Patent Co-operation Treaty.

23 Also relevant is section 33(1), which states:

*Any person who claims to have acquired the property in a patent or application for a patent by virtue of any transaction, instrument or event to which this section applies shall be entitled as against any other person who claims to have acquired that property by virtue of an earlier transaction, instrument or event to which this section applies if, at the time of the later transaction, instrument or event –*

*(a) the earlier transaction, instrument or event was not registered, or*

*(b) in the case of any application which has not been published, notice of the earlier transaction, instrument or event had not been given to the comptroller, and*

*(c) in any case, the person claiming under the later transaction, instrument or event, did not know of the earlier transaction, instrument or event.*

24 No issues arose during these proceedings as to the scope or interpretation of the provisions mentioned above.

25 In relation to the status of evidence in these proceedings, the following provisions from Part 7 of the Patents Rules 2007 (as amended) are relevant:

rule 80(2):

*The comptroller may, at any time he thinks fit, give leave to either party to file evidence upon such terms as he thinks fit.*

rule 82:

*(1) Except where the Act or these Rules otherwise provide, the comptroller may give such directions as to the management of the proceedings as he thinks fit, and in particular he may—*

*(a) require a document, information or evidence to be filed;*

*[...]*

*(2) The comptroller may control the evidence by giving directions as to—*

- (a) *the issues on which he requires evidence;*
- (b) *the nature of the evidence which he requires to decide those issues; and*
- (c) *the way in which the evidence is to be placed before him, and the comptroller may use his power under this paragraph to exclude evidence which would otherwise be admissible.*

(3) *When the comptroller gives directions under any provision of this Part, he may—*

- (a) *make them subject to conditions; and*
- (b) *specify the consequence of failure to comply with the directions or a condition.*

26 In this regard, also referred to was rule 32.5(1) of the Civil Procedure Rules, thus:

*If –*

- (a) *a party has served a witness statement; and*
- (b) *he wishes to rely at trial on the evidence of the witness who made the statement, he must call the witness to give oral evidence unless the court orders otherwise or he puts the statement in as hearsay evidence.*

27 I also set out here a brief summary of the law on entitlement with reference to three key authorities:

*Yeda*<sup>1</sup> sets out the law on entitlement and affirms that section 7(2) and the definition in section 7(3) determine who is entitled to the grant of a patent. The inventor is defined in section 7(3) as "the actual deviser of the invention".

*University of Southampton*<sup>2</sup> at page 234, says the inventor is the natural person who "came up with the inventive concept" and the "contribution must be to the formulation of the inventive concept".

*Henry Brothers (Magherafelt) Ltd*<sup>3</sup> emphasises a two-step approach is necessary to determine inventorship. One must first identify the inventive concept and then determine who devised that concept. It is not enough that someone contributed to the claims, because they may include non-patentable integers derived from prior art.

## **VI. Arguments and analysis**

28 I now turn in detail to the various arguments and evidence before me. However, before considering substantive points I must – given the unusual circumstances of the hearing and the absence of any testing of the evidence – set out my view of how to assess that evidence.

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<sup>1</sup> *Yeda Research and Development Company Limited (Appellants) v. Rhone-Poulenc Rorer International Holdings Inc and others (Respondents)* [2007] UKHL 43

<sup>2</sup> *University of Southampton's Applications* [2005] RPC 11

<sup>3</sup> *Henry Brothers (Magherafelt) Ltd v Ministry of Defence* [1997] RPC 693 (at page 706); [1999] RPC 442

## VI.1 Status of the parties' evidence

- 29 On 5 June 2013 the Office wrote to the parties stating that, if the Defendant did not participate in the hearing, the Defendant “should be aware that the evidence presented by the other party will be taken as uncontested and any evidence of your own witnesses who are not presented for cross-examination is liable to be struck out”.
- 30 The Defendant says that I am not obliged to strike out their evidence, and they point me to a discussion in paragraphs 4.75-4.77 of the *Patents Hearings Manual* which notes that a Hearing Officer may have little choice but to strike out evidence in the circumstances where an order for attendance has been made. The Defendant says no such order has been made. The Defendant also points to the statement in paragraph 4.77 that evidence should not be struck out if witnesses genuinely are unable to attend the hearing.
- 31 They also contend that the Civil Procedure Rules operate so that the Courts retain discretion to allow witness evidence regardless of whether witnesses attend trial. In this regard, they pointed me to *Williams v Hinton*<sup>4</sup>, in which the Court of Appeal made clear that the learned judge in the lower court “did more than he was obliged to do” when he considered the witness statements of a party who did not attend the trial. The Defendant’s point here, as I understand it, is that the Court of Appeal said the learned judge was not obliged to take account of those statements, but it did not go so far as to say that the learned judge was barred from taking them into account.<sup>5</sup>
- 32 The Defendant therefore asks that their evidence be permitted to stand and, as a fall-back, that it is admitted as hearsay evidence, with reference to CPR r.32.5(1). They go on to argue that I am not in any event obliged to accept every detail of the Claimant’s evidence and I must exercise my own judgment as to that evidence.
- 33 The Claimant essentially supports the Office view as set out in the letter of 5 June 2013, but Mr Aikens elaborated on this at the hearing.
- 34 On the status of the Claimant’s evidence, Mr Aikens contended that I should accept it as it stands unless I can identify a “clear and unambiguous indication” that the evidence is not true. He said examples of this might be a contradictory statement by the same witness, or a contradiction presented in a contemporaneous document whose authenticity is not in doubt. But he went on to say that there is nothing in the Defendant’s material which should lead me to that position, and so the Claimant’s evidence should stand uncontested.
- 35 In terms of the Defendant’s evidence, Mr Aikens said in response to the Defendant’s point about the absence of an order that cross-examination was clearly “directed by the IPO”. In relation to their point about genuine inability to attend he pointed me back to the submissions I had heard at the telephone hearing on 30 and 31 May in relation to the Defendant’s application to postpone the substantive hearing. He similarly relied on these points in relation to how much weight I should give the

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<sup>4</sup> *Williams v Hinton* [2011] EWCA Civ 1123

<sup>5</sup> The Court of Appeal did make clear that, in the circumstances of non-attendance, the witness statements did not in fact formally become “evidence” within the meaning of the CPR r.32.5.

evidence if I were to allow it in as hearsay evidence.

- 36 In relation to discretion and the CPR, Mr Aikens argued that CPR r.32.5(1) and *Williams v Hinton* were at best inconclusive as to whether the Courts have the discretion suggested by the Defendant – and if I had such discretion it should not be exercised favourably in the present case, given the Defendant’s actions in relation to the hearing.
- 37 I start by noting that proceedings before the comptroller operate under Part 7 of the Patents Rules 2007, rather than under the CPR directly. Those Rules give me in some respects greater discretion in relation to the handling and admissibility of evidence than the CPR, subject to the overriding objective of dealing with the case justly. I do not, therefore, find the arguments as to the extent of the Courts’ discretion under CPR r.32.5(1), or the power to allow evidence in as hearsay, to be of great assistance.
- 38 The section of the *Patents Hearings Manual* referred to by the Defendant can be of assistance in determining how to exercise discretion in accordance with the overriding objective. However it is directed primarily to the situation where there is a dispute between the parties as to the need for cross-examination of a particular witness (see paragraph 4.74). In the present case there has been no disagreement between the parties as to the need for cross-examination; indeed, the parties’ representatives had agreed a timetable involving cross-examination by video-conference which was detailed enough to take account of the time zones in which some of the witnesses were located. It was only following my decision to refuse the Defendant’s request to postpone the hearing, that the Defendant appears to have changed its position both as regards presenting its own witnesses for cross-examination and the need to cross-examine the witnesses of the Claimant.
- 39 The *Manual* states that in the situation where the need for cross-examination is contested, the proper course of action is for the hearing officer to decide whether to allow it and if necessary order attendance. However, in the present case, the Defendant has at no time put before me reasoned arguments to the effect that cross-examination is not necessary. All I have received are submissions on the availability of the witnesses on the date fixed for the hearing. These comprised references (at the 30 May telephone conference) to a “scheduling conflict”, which were elaborated by Mr Bor on 31 May by very general references to the Defendant’s witnesses’ trade shows, customer visits and holidays over the coming months. While I disposed of these arguments in my oral decision refusing the request for postponement and my subsequent written decision on costs, I did not make an explicit order directing attendance under Rule 82 of the Patents Rules 2007. Nevertheless the Defendant can have been in no doubt as to the potential consequences for its case in the event that its witnesses were not presented for cross-examination; I explained this at the 30 May telephone conference and it was made clear in the letter from the IPO dated 5 June 2013.
- 40 I should also note here that I regard the Defendant’s decision not to be represented at the hearing (and thereby to forego the opportunity to cross-examine the Claimant’s witnesses, despite them being available if necessary), to be a completely separate matter to the failure of the Defendant’s witnesses to be made available on the day appointed for the hearing.



- 41 Taking these points into consideration, I shall proceed as follows. Since the Defendant has chosen not to appear or cross-examine the Claimant's witnesses, I will take the Claimant's evidence as uncontested, save in relation to Mr Aikens' proposition regarding "clear and unambiguous" grounds for rejecting it. I will bear in mind at the relevant points whether such grounds exist.
- 42 I note that the Defendant has also submitted that I should treat specifically Mr Davidson's evidence "with a significant degree of scepticism" given that his position relies on his own wrongdoing (particularly in relation to the February 2011 alleged assignment of the inventions from himself to the Defendant). I have no doubt that, even on his own evidence, Mr Davidson engineered a situation that was, at the very least, "unfortunate" (to use Mr Aikens' term). However, I do not see this as a basis for calling into question his reliability as a witness, given that the Defendant has chosen not to cross-examine him and his evidence is therefore unchallenged.
- 43 In relation to the Defendant's evidence, I will not strike it out, but the weight that I give to it will necessarily be very considerably affected by the fact that the Claimant has not had any opportunity to put it to the test. Where there is conflict between this and the Claimant's evidence, I will take it that the latter prevails unless this would lead to an absurd or totally implausible conclusion.

#### *VI.2 The Consultancy Agreement*

- 44 It is not in dispute that the Claimant was incorporated on 13 January 2010 in order to hold and exploit intellectual property in relation to inventions made by Mr Davidson. Mr Davidson was a 70% shareholder, with Mr Philip Holden (a solicitor) and Mr Stephen Conn (an accountant) holding the remaining shares. Mr Holden and Mr Conn are the two directors of the company, while Mr Davidson has never been a director.
- 45 The Claimant and Mr Davidson signed a Consultancy Agreement on 15 February 2010. Clause 2.1 states that the Consultant (that is, Mr Davidson) agrees to provide "the Services" upon the terms of the Agreement. The Schedule to the Agreement states that "Services" means:

*The provision of consultancy services relating to the development and exploitation of intellectual property (including....patent applications GB 09... and any other intellectual property prepared or made directly or indirectly by the Consultant that relates to pipe coupling technology or is in any way similar, connected to or may be developed from the subject matter of such patent applications), business development and such other services as the Company may from time to time direct the Consultant to provide.*

- 46 Clause 3.8 deals with Mr Davidson's duties in respect of any inventions developed by him, and as such is a key provision of the Agreement. In its original form it reads as follows:

*The Consultant shall keep the Company fully informed regarding his development of any new inventions (whether or not developed during the provision of the Services) and shall afford the Company an opportunity to negotiate in good faith the acquisition of the same (the "Acquisition") on an exclusive basis for a period of 3 calendar months prior to discussing the opportunity with any other third party. If, despite the parties best endeavours, they fail to agree on mutually satisfactory terms for the Acquisition, then the Consultant ay negotiate with third parties relating to the Acquisition, provided that the Consultant must notify the Company of and*

*afford the Company the right to match any offer received from any such third party for the Acquisition. In these circumstances the Company will have 28 business days from receipt by the Company of notice from the Consultant of the third party offer to match or better the material, measureable and matchable financial terms of the third party offer and if the Company does this, then the Company and the Consultant shall immediately enter into an agreement for the Acquisition. If the Company fails to or declines to match or better such third party offer then the Consultant may accept the third party offer, but only on the terms offered to the Company.*

47 According to the unchallenged evidence of the Claimant, this clause was amended by letter on 25 March 2010. The new version is rather longer, and the relevant provisions read as follows:

*3.8.1 In consideration of the payments referred to in clause 3.8.2, the Consultant shall keep the Company fully informed regarding his development (directly or indirectly) of any new inventions (a "New Invention") or improvements (whether or not developed during the provision of the Services or for, on behalf of in conjunction with anyone else) and:*

*(i) In the event that the New Invention or improvement is developed during the term of this Consultancy Agreement shall:*

*(a) execute, or shall procure any interested third party shall execute, a deed of assignment in a form substantially as annexed to this letter, with such amendments as the Company shall reasonably request, assigning all intellectual property rights in such New Invention or improvements; and*

*(b) procure that any registration of the underlying intellectual property (whether by patent or otherwise) is registered in the name of the Company or, at the Company's option, assigned to the Company in accordance with the provisions of clause 3.8.1(i)(a) above.*

*(ii) In the event of that the New Invention or improvement is developed following the expiry of the term of the Consultancy Agreement shall afford the Company an opportunity to negotiate in good faith the acquisition of the same (the "Acquisition") on an exclusive basis for a period of 3 calendar months prior to discussing the opportunity with any other third party. If, despite the parties best endeavours, they fail to agree on mutually satisfactory terms for the Acquisition, then the Consultant may negotiate with third parties relating to the Acquisition, provided that the Consultant must notify the Company of and afford the Company the right to match any offer received from any such third party for the Acquisition. In these circumstances the Company will have 28 business days from receipt by the Company of notice from the Consultant of the third party offer to match or better the material, measureable and matchable financial terms of the third party offer and if the Company does this, then the Company and the Consultant shall immediately enter into an agreement for the Acquisition. If the Company fails or declines to match or better such third party offer then the Consultant may accept the third party offer, but only on the terms offered to the Company.*

48 The Claimant says that the Agreement was effective before Mr Davidson made the invention of GB10, and that it applies to that invention. They say that the wide definition of Services covers any intellectual property prepared or made directly or indirectly by Mr Davidson that relates to pipe coupling. They point to Mr Davidson's evidence that he came up with the idea of incorporating a tapered edge into the two halves of the coupling body and a conical-shaped sleeve on the inside around July of 2010, before he met Mr Anthony Parisi or Mr Joseph Parisi. This was identified by Mr Aikens as the inventive concept of GB10. On GB11, the Claimant acknowledges that the application of the Agreement will depend on the arguments in relation to inventorship of GB11 (of which, more below).

- 49 The Defendant disagrees. They say that Services are defined as “services to be provided by the Consultant in a consultancy capacity” and that, to fall within that definition, the service must have been provided in collaboration with the Claimant or otherwise under its instruction or supervision. They say that “there is ample evidence, even from [the Claimant’s] witness statements alone” that GB10 and GB11 arise from collaborations between Mr Davidson and the Defendant, and not from services provided by Mr Davidson to the Claimant in a consultancy capacity.
- 50 On the Defendant’s interpretation of the definition of Services, the Claimant says there is no basis for applying such a gloss to what is a very wide definition. Of course they also go further and say that, if they are wrong, the evidence does not show that such a gloss has not been satisfied.
- 51 On definition, I think it is clear that the services provided in the “consultancy capacity” in which Mr Davidson was retained include those consultancy services set out in the Schedule. Those services set out in the Schedule clearly include services relating to the development and exploitation of intellectual property, including that made directly or indirectly by Mr Davidson and which relates to pipe coupling. I can see no limitation in the definition which requires Mr Davidson to have actively been collaborating with the Claimant while he was developing and exploiting intellectual property, or which requires him otherwise to have been under the Claimant’s instruction or supervision while doing so.
- 52 If the evidence is such that Mr Davidson made the inventions in relation to GB10 and GB11, then I can see no reason why his doing so would not then fall within the definition of Services. It follows that I do not need to consider the Defendant’s arguments as to why, in their view, there was not sufficient collaboration, instruction or supervision for the inventions in question to have fallen within the scope of the Consultancy Agreement.
- 53 Of course, the question of whether the inventions of GB10 and GB11 fall within the Agreement then turns on who – on the evidence – made the inventions in question, and when. That is a point to which I will return later.
- 54 Next to consider is clause 9.1 of the Agreement. This says:

*The Consultant hereby assigns to the Company all existing and future Intellectual Property Rights in the Works and the Inventions and all materials embodying such rights to the fullest extent permitted by law. Insofar as they do not so vest automatically by operation of law or under this Agreement, the Consultant holds legal title in such rights and inventions on trust for the Company.*

- 55 The Claimant says that the clear effect of clause 9.1 is that the invention is assigned to the Claimant. To an extent, the Claimant relies on *KCI Licensing v Smith & Nephew*<sup>6</sup>, and Mr Aikens took me to paragraph 67 of the judgment where Arnold J says “In my view...it is possible to assign the legal title (and not just the beneficial interest) in an invention before it is made”. The Defendant says that this is merely a suggestion by Arnold J which has not been confirmed in any subsequent case – but it seems to me that the statement is a part of the *ratio* of Arnold J’s decision and is

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<sup>6</sup> [2011] Bus LR D27

binding on the comptroller. Thus, I agree that, on its face, clause 9.1 operates so as to assign the rights to inventions which fall within the scope of the Agreement from Mr Davidson to the Claimant.

- 56 However, that is not the end of the matter because there is then a point about the interplay between clause 9.1 and clause 3.8 of the Agreement.
- 57 The Defendant says that, at most, clause 3.8 provides the Claimant with a contractual or equitable right to an assignment with respect to GB10 and GB11. They also say that clause 3.8 and clause 9.1 are inconsistent, and that it is clause 3.8 that “must be interpreted as reflecting the true intention of the parties”. This is on the basis that a bespoke term prevails over a standard term, a more precise one prevails over a less detailed one, and that – if there is doubt about the meaning of the contract – the words in question are construed against the person who put them forward. Furthermore, the Defendant says that the evidence shows that the Claimant did not intend to rely on clause 9.1 and, in practice, the Claimant and Mr Davidson operated in a way compatible with there being a right for the Claimant to take an assignment, rather than in a way compatible with an automatic assignment.
- 58 The Claimant says that (revised) clause 3.8 “simply obliges Mr Davidson to keep the Claimant updated on his work and, as a practical matter, to execute the relevant documentation that would record the assignment provided for in clause 9.1”. Thus, they say, clause 9.1 and clause 3.8 provide a “belt and braces approach”. They also point to *Chitty on Contracts* (31<sup>st</sup> Edn) at paragraph 12-078, which deals with inconsistent or repugnant clauses, and they contend on that basis that clause 9.1 would have to be “manifestly repugnant... and inconsistent with the rest of the Agreement” for it to be ignored.
- 59 It seems to me that clause 3 and clause 9 are directed to two different aspects of the Agreement. Clause 3 focuses on the duties of Mr Davidson under the Agreement. Clause 9 deals with intellectual property matters in various respects. The two clauses are not, therefore, covering the same ground. They are directed at different aspects of the Agreement.
- 60 Clause 9.1 makes clear that existing and future intellectual property (within the scope of the Agreement) is assigned from Mr Davidson to the Claimant. Under clause 3.8 as it stood originally, one of the duties put on Mr Davidson was to “afford the Company an opportunity to negotiate in good faith the acquisition of [new inventions]”. However, it is not in dispute that it is the revised clause 3.8 which is relevant here.
- 61 Even if there is a degree of overlap, it does not seem unreasonable to me to set out duties for Mr Davidson which are considered and set out separately from the arrangements for intellectual property under the agreement as a whole. If the arrangements made for the intellectual property in clause 9.1 are such that it passes to the Claimant under that clause when read alone, then I can see that it is not inconsistent with this to spell out that one of Mr Davidson’s duties is to execute a deed of assignment with regard to intellectual property in “New Inventions” and another is to procure that any registration of the intellectual property is in the name of the Claimant. It may be said that the operation of clause 9.1 alone makes the spelling out of such duties unnecessary or it may be that those duties are ones which

potentially it is not necessary for Mr Davidson to have to carry out. But I do not think that choosing to spell out these duties either fundamentally changes the effect of clause 9.1 or, indeed, renders it ineffective. I do not think it is repugnant to, or inconsistent with, the rest of the Agreement for the parties to agree that one of Mr Davidson's duties to be set out is the execution of an assignment which makes good the arrangements set out in clause 9.1 in relation to the intellectual property.

- 62 I do not, therefore, need to consider whether one clause is more "bespoke" or detailed than the other, nor do I consider there is a level of doubt about how the two clauses operate together such that I need to consider arguments in relation to construing against the person putting the words forward. Also, further arguments that the Defendant put forward on the basis that the Agreement amounted to no more than an "agreement to assign" must fall away.
- 63 I should note for completeness at this point the Defendant's argument that the Claimant relied only on (revised) clause 3.8 in its original statement of grounds, and so it followed that the Claimant had "relinquished any ownership rights that it might have had". Mr Aikens, at the hearing, made the point that the Claimant's re-amended statement of grounds had been allowed in the proceedings, and it included reliance on both clause 3.8 and clause 9.1. I think that must be right.
- 64 I conclude that the Agreement taken as a whole operates so as to assign the Works and Inventions within its scope from Mr Davidson to the Claimant.
- 65 Thus the remaining question is whether the inventions of the patent applications in issue were made by Mr Davidson.
- 66 On GB10, I shall take the inventive concept to be the combination of the tapered outer profile of the casing arrangement and the correspondingly tapered inner profile of the fixing sleeve. The evidence from Mr Davidson is that he had been working on a tapered sleeve pipe coupling during the summer of 2010. Following the execution of the "Parisi NDA" on 25 August 2010 he disclosed information about the coupling, including drawings, and subsequently worked with Mr Parisi on the development of a marketable product. He says that during this phase he was acting in his capacity as a consultant to the Claimant. As I have already remarked, GB10 was filed in Mr Davidson's name and naming him as the sole inventor on 8 November.
- 67 The evidence from Mr Anthony Parisi is that the drawings of the coupling mechanism Mr Davidson showed him after the "Parisi NDA" had been signed, disclosed "not in fact a finished product, but only a basic idea that was in need of extensive further development". He says that Mr Davidson's drawings were "rather crude" and "after many hours of work" he managed to produce a prototype. Mr Davidson states, on this point, that the drawings were produced by Plastimold but under his supervision and direction, and were in relation to the Claimant's property (as expressly stated on each page of the drawings). He says that the drawings filed in GB10 were either produced by Plastimold for him, or were created by him. Mr Parisi says that he did not give permission for Mr Davidson to use drawings created by him in the GB10 application.
- 68 My finding in relation to evidence is that I will take the Claimant's evidence as uncontested unless there are "clear and unambiguous" grounds (of the sort I

identified above) for rejecting it. There are no such grounds that I can identify.

- 69 It follows that I find on the uncontested evidence that Mr Davidson was the inventor of GB10. That being so, given my findings above in relation to the Agreement and its meaning, it follows that GB10 was assigned by virtue of the Agreement to the Claimant.
- 70 Turning now to GB11, this application is similar to GB10, except that one embodiment comprises a locking tab mechanism which is described with reference to some of the drawings and is the subject of claim 22. The evidence from Mr Davidson is that Mr Joseph Parisi created certain drawings and he agrees it is correct that the locking tab mechanism displayed in those drawings is disclosed in GB11. But he states that the locking tab adds “nothing of value” to the invention of GB10 as it is not effective as a fixing means. In his second witness statement, Mr Davidson’s position is that this locking tab was the only aspect of the pipe coupling that Mr Joseph Parisi contributed.
- 71 Mr Joseph Parisi’s evidence is that he was “an inventor” of GB11 and he refers to the “locking tab mechanism I invented”. There is accordingly no dispute that Mr Parisi contributed the locking tab feature of GB11 and it follows, having regard to *Yeda* and *University of Southampton*, that the question to be asked is whether the locking tab is part of the inventive concept. *Henry Brothers (Magherafelt)* emphasises that it is not enough for a feature to be part of the claim set because there may be non-patentable integers derived from the prior art.
- 72 It is logical that a person who contributes integers derived from the prior art may not qualify to be recognised as an inventor because by definition they did not originate those integers. However, that is not the position here: it is not argued that the disputed feature was derived from prior art. Rather, as I remarked above, Mr Davidson accepts in his evidence that Mr Parisi contributed the feature but states that it “is not effective as a fixing means”.
- 73 It is not entirely clear on what grounds I am being asked to take this as grounds for a finding that Mr Joseph Parisi is not an inventor. On the face of it there is no justification in the authorities for applying a threshold relating to the value of a contribution made by a person who originated a feature in determining whether that person ought to be regarded as an inventor. Although it has not been pleaded or argued explicitly, this could be an allusion to s.1(1)(c) of the Act which stipulates that a patentable invention must be capable of industrial application. This is a fundamental condition for patentability on a par with the requirement for novelty and inventive step, and is often used to deny patents for inventions that do not work (for example perpetual motion machines). According to this logic, I can see that it might be contended that in the hypothetical case where a person’s sole contribution is a feature that does nothing or renders the whole arrangement useless, there is no contribution to the inventive concept and that person ought not to be regarded as an inventor.
- 74 However in my view the evidence does not support a conclusion that either of the above scenarios exist in this case. While Mr Davidson’s unchallenged evidence reflects his opinion as to the value and effectiveness of the locking tab, it is in essence a simple assertion with no indication of how it has been arrived at or what

conditions have been assumed. I do not take it as proof of how a coupling provided with a locking tab as devised by Mr Parisi would or would not function in all conceivable circumstances. The burden being on the Claimant to show why a person named as inventor should not be, I therefore conclude that Mr Joseph Parisi must be considered to be a joint inventor of GB11.

- 75 Turning now to PCT11, this application claims priority from GB10, GB11 and two US applications. It incorporates the subject-matter disclosed and claimed in GB10 and GB11, as well as further embodiments. In addition to Mr Davidson and Mr Joseph Parisi (the named inventors of GB11), Mr Anthony Parisi is also named as an inventor.
- 76 My reasoning above in relation to the locking tab in GB11 applies equally to PCT11. Regarding the further embodiments, I have little of substance in terms of evidence or argument as regards their inventorship, value or contribution to the inventive concept. However I do note that the Claimant has not attempted to argue that Mr Davidson personally contributed any inventive features beyond those of GB10. In his submission to me Mr Aikens pointed out that the Defendant has not identified explicitly the features in PCT11 which they consider to be inventive, but I think it is quite clear given the context that they mean the features that are not disclosed in either GB10 or GB11. While I am not in a position to apportion inventorship between Messrs Joseph and Anthony Parisi, I see no reason to question the assumption (implicit in the fact that both are named as inventors) that both contributed to the inventive concept(s) of PCT11.
- 77 It follows from all of the above that the subject-matter comprised in GB10 (having been invented by Mr Davidson) at least initially vested in the Claimant by virtue of falling within the scope of the Agreement, but the subject-matter which is comprised in those embodiments of GB11 and PCT11 not present in GB10, did not.

### *VI.3 Authority of Mr Davidson to assign inventions to the Defendant*

- 78 It is necessary now to turn to the first of the defences pleaded by the Defendant. This, in summary, is that even if the inventions initially belonged to the Claimant by virtue of the Agreement, they were assigned to the Defendant by Mr Davidson by virtue of his actual or ostensible authority to do so on behalf of the Claimant.
- 79 Both parties accept that an assignment was purported to be made between Mr Davidson and the Defendant on 7 February 2011. The assignment document refers explicitly to GB10 and Mr Davidson warrants that he is “the owner having 100% interest in the subject invention and related application”. Later, the document refers to “said invention and any improvements thereon”. The Claimant suggests that it must be this wording upon which the Defendant relies in respect of GB11 and PCT11 too – since they are not specifically identified in the assignment document.
- 80 The defence invokes the well-established principle that, where a person by words or conduct represents to a third party that another person has authority to act on his behalf, he is bound by the acts of that other person as if he had in fact authorised them. The Defendant says that there is no doubt Mr Davidson had actual or ostensible authority to assign to the Defendant any rights belonging to the Claimant.

- 81 In support of this contention, reliance is placed on a number of facts and matters set out in the Defendant's skeleton argument which revolve around Mr Davidson's role and status as a majority shareholder in the Claimant company, his behaviour in relation to this and other companies in which he has an interest, and the behaviour of the directors of the Claimant.
- 82 On actual authority, Mr Aikens at the hearing took me to various pieces of evidence. First he took me to the Claimant's shareholder's agreement and in particular clause 3.1, requiring the Board's written approval over "reserved matters". Schedule 2 states that reserved matters include "...disposal by the Company of any material asset(s) otherwise than in the ordinary course of business". Mr Aikens argued that the assignment of a patent application must be a reserved matter and so Mr Davidson did not have actual authority on the basis of the shareholder's agreement. There was no argument to the contrary in the Defendant's skeleton, and so I agree that assignment of a patent application would be a reserved matter within the meaning of the Agreement.
- 83 Second on this point, Mr Aikens took me to the Consultancy Agreement and clause 3.9 – which states that Mr Davidson had no authority to do various acts including having no authority to commit the Claimant to any legally binding commitments or contracts. He also took me to Mr Davidson's first witness statement at paragraph 13, which refers to that clause of the Agreement and states further that "I have never been given authority to act as an agent of the Claimant and I have never acted as such an agent", and Mr Holden's first witness statement at paragraph 11 which similarly says that Mr Davidson has never been given such authority to act.
- 84 My finding in relation to evidence is that I will take the Claimant's evidence as uncontested unless there are "clear and unambiguous" grounds for rejecting it. Insofar as actual authority goes, I accept there are no such grounds for rejecting the Claimant's evidence that Mr Davidson was never given actual authority to act on behalf of the Claimant.
- 85 That takes me to Mr Aikens' submissions on ostensible authority. He says the evidence shows that the Defendant knew all along that Mr Davidson did not have authority to act on the Claimant's behalf, and so there could have been no ostensible authority. In this respect, he took me to various pieces of evidence including emails from Mr Holden to the Defendant's legal representative and to Mr Bill Sands, some passages from the related proceedings in the US District Court in respect of Mr Holden's testimony, the Claimant's website, and Mr Davidson's evidence in his first witness statement (at paragraphs 24 and 35) that he provided a copy of the Agreement to Mr Anthony Parisi and Mr Sands.
- 86 Mr Anthony Parisi says in his witness statement that Mr Davidson said that he was the owner of and controlled the Claimant. Based on Mr Davidson's representations, his website and his patents, Mr Parisi says that he believed that Mr Davidson owned and directed the Claimant company. He says that at no time did Mr Davidson say he was only a "consultant" and, on the contrary, he gave the impression that he and the Claimant were "one and the same". The evidence from Mr Joseph Parisi is along similar lines. He also disputes directly Mr Davidson's claim that Mr Anthony Parisi was provided with a copy of the Agreement. Both Mr Anthony Parisi and Mr Joseph Parisi say the first time they saw that Agreement was in connection with these



present proceedings, in August 2011. The evidence of Mr O'Donnell is along very similar lines.

- 87 The wording of the February 2011 assignment, to which the Defendant was a party and where Mr Davidson was identified as the assignor, does not on its face appear to be consistent with the evidence provided by Mr Davidson that the Defendant understood that he was not the owner of the intellectual property. This brings me on to the evidence as to the intention of that assignment and what the parties understood they were doing by agreeing to it.
- 88 Mr Aikens says that the Defendant did not genuinely think that Mr Davidson was the owner and that the evidence shows that "something else was going on".
- 89 Mr Davidson's evidence on this point is that he was asked to sign the agreement in question in order to allow representatives of the Defendant to represent to a potential buyer ("Victaulic") that "they had the ability to own the patent applications (subject to paying for them) in the form of a 'back to back' transaction and were capable of selling it to Victaulic when the time was right". This was a "sales tool for Blake Stevenson to give the impression that they 'owned' the patents".
- 90 Mr Anthony Parisi's evidence on this point is that it was simply agreed that the rights to GB10 (which Mr Davidson had filed in his own name) should pass to the Defendant, as should any improvements – and this is what the February 2011 assignment did. Mr Joseph Parisi's evidence is that "Mr Davidson was telling us that it was necessary to assign the coupling mechanism to [the Defendant] such that there would be a clear ownership record should anyone be interested in purchasing it". Mr Joseph Parisi disputes that Mr Davidson ever hinted or made clear that he did not have the ability to make that assignment, or that it was contingent. Mr O'Donnell's evidence is consistent with this view too.
- 91 The Defendant's understanding of Mr Davidson's role and authority, and the parties' understanding of what was being achieved by the February 2011 assignment are clearly crucial evidential matters which, had the proceedings gone ahead as originally envisaged with cross-examination, would have been tested. However this did not happen.
- 92 Given the lack of an opportunity to test that evidence, and the fact that the evidence from Mr Davidson, to the effect that he gave copies of the Agreement to Mr Anthony Parisi and Mr Sands, is in fact uncontested in these proceedings, I have to accept that the Defendant knew that Mr Davidson did not have authority to act on the Claimant's behalf. I must also accept, given its uncontested nature, Mr Davidson's evidence as to the intention behind the February 2011 assignment. This means that all the Defendant's arguments referred to above fall away.
- 93 On this basis, I conclude that the Defendant did not regard Mr Davidson as having ostensible authority. Although not determinative, I note that I have reached the same conclusion as the US District Court in this respect, which held that Mr Holden contacted the investors' representative by email to make clear that they had to deal with him and the Claimant.

#### *VI.4 Estoppel*

- 94 The Defendant contends that an estoppel can occur where a principal has caused a belief that a particular transaction was within the supposed agent's authority, or had been authorised and, knowing that such a belief was held, took no steps to correct it. Mr Davidson, they say, held himself out as having authority to make the assignments and permit the applications, and he would have known that the Defendant relied on that. Mr Davidson's knowledge in this respect is to be attributed to the Claimant and, they say, Mr Holden and Mr Conn clearly permitted Mr Davidson to represent the Claimant in its dealings with the Defendant. On this basis, the Claimant is said to be estopped from now seeking ownership of the inventions or from challenging the assignment made from Mr Davidson to the Defendant.
- 95 The Claimant says that the evidence shows how the Claimant did inform the Defendant of its contractual arrangements with Mr Davidson, and the Defendant was aware of the existence of the earlier rights.
- 96 The estoppel argument stands on the premise that the Defendant was unaware of the true situation regarding Mr Davidson's authority and the Consultancy Agreement. Given my finding above on the uncontested evidence, this argument must fail.

#### *VI.5 Section 33*

- 97 The Defendant contends that section 33 applies. Pointing to section 33(1)(c), they say that the person claiming to have acquired rights under the later transaction, instrument or event (i.e. the Defendant, claiming under the February 2011 assignment) did not know of the earlier transaction, instrument or event (i.e. the prior assignment to the Claimant under the Consultancy Agreement).
- 98 Given my finding above in relation to what the Defendant knew in terms of Mr Davidson's authority and the Consultancy Agreement, this point must also fail.

#### *VI.6 The Parisi NDA*

- 99 A number of points were raised in relation to the "Parisi NDA". One point was whether its terms entitle the Claimant to the applications in dispute in the event that the Claimant's primary case based on the Agreement fails. A further point was whether it estopped the Defendant from denying the Claimant's entitlement. Given my findings above with regard to the Agreement and the Defendant's state of knowledge, I do not need to address these points.
- 100 There is however a further point which it is necessary to address. This is whether the NDA defeats the Defendant's claim to GB11 (and indeed PCT11) based on inventorship. The Claimant contends that even if GB11 and PCT11 incorporate inventive concepts that were not devised by Mr Davidson (and are not therefore within the scope of the Agreement), such matter would be swept up by the first sub-clause of clause 8 of the NDA which reads as follows:

*It is hereby agreed that all rights (including without limitation, patents, copyright, design rights and other similar intellectual property rights and the right to apply for the registration thereof) in respect of any ideas, concepts, know-how, techniques, products, prototypes, processes, inventions or any other matter (collectively "Ancillary Matters") in the Confidential Information*

*and the Product and which may result directly or indirectly from the Confidential Information shall belong solely to the Disclosing Party and the Recipient hereby agrees that, in consideration of the Disclosing Party disclosing its Confidential Information to the Recipient and permitting the Recipient to participate in such discussions pursuant to this Agreement (the sufficiency and adequacy of which the Recipient hereby acknowledges), it shall sign any documentation which the Disclosing Party may reasonably require to assign any rights and property in the Ancillary Matters which may vest in the Disclosing Party.*

- 101 The “Confidential Information” referred to is identified in clause 1.1 and includes (but is not limited to) the subject-matter of four UK patent applications (none of which is the same as any of the applications which are the subject of these proceedings) together with “any associated product information and technology”. According to the unchallenged evidence of Mr Davidson, information about the invention which would eventually comprise GB10 was passed to Anthony Parisi only after he had signed the NDA on behalf of Plastimold, and on this basis I am satisfied that this subject-matter is within the scope of the NDA.
- 102 Part of the argument put forward by the Defendant is based upon Mr Davidson’s purported authority to act on behalf of the Claimant. I have disposed of that matter above and do not need to consider it further. However it is also argued that the NDA is no longer relevant because it was signed early in the relationship between Mr Davidson and the Parisis, and signed on behalf of an entity (Plastimold) that is not party to the present proceedings. In response to this the Claimant argues that the Parisis are bound by the NDA by virtue of their positions as directors of Plastimold.
- 103 The NDA’s stated purpose is to cover information passed to Plastimold to enable it to test the product with a view to exclusive distribution. It is not a consultancy agreement having as its objective the development of new intellectual property in the sense, for example, that the Consultancy Agreement around which the dispute has centred is. I have no problem construing the reference to rights (including patents) resulting “directly or indirectly from the Confidential Information” as encompassing GB10, as a patent application was presumably in prospect but since it had not yet been filed it could not be identified explicitly in the list of applications covered. However I do not believe that this reference in the NDA can be construed as covering inventive subject-matter not in or derivable from the information which was actually disclosed. While clause 8 does envisage the situation where Plastimold might need to assign back to the Claimant rights vesting in it, this seems to me to be no more than a “belt and braces” provision and in my view cannot be used to support a broader interpretation of the preceding words than a plain reading permits.
- 104 Even if I am wrong in this, I do not see how the material before me can support the conclusion that the NDA, which was concluded with Plastimold for a specific purpose, can operate to vest automatically in the Claimant the rights in any intellectual property subsequently developed by either of the Parisi brothers. I do not question that they, through their connection with Plastimold, are likely to have been aware of the NDA; but it is not at all clear how the rights of the Claimant and the obligations of Plastimold under the NDA would carry forward to cover intellectual property (in particular the additional inventive matter in GB11 and PCT11) developed during the era of the collaboration between Mr Davidson and the Defendant.

## **VII. Conclusions and order**

- 105 I have concluded that the Claimant is entitled to all rights to inventions made by Mr Davidson and that the purported assignment of GB10 from Mr Davidson to the Defendant is invalid. It follows that the claim is successful with regard to GB10 and in accordance with the Claimant's request I direct that application GB1018849.8 proceed in the name of the Claimant Coupling Technology Limited.
- 106 With regard to GB11 and PCT11, I have found that in addition to Mr Davidson's inventive concept (which belongs to the Claimant), each comprises an inventive contribution not attributable to Mr Davidson, and that the "Parisi NDA" is not effective to vest any rights in such matter in the Claimant. This leaves both parties with an interest in each of GB11 and PCT11.
- 107 In these circumstances I invite submissions from both parties as to the appropriate way forward. It would be preferable if this could be in the form of an agreed draft order.

## **VIII. Costs**

- 108 I invite submissions from both parties on the subject of costs, in view of my finding that neither side has been fully successful in this action.

## **IX. Period for making submissions**

- 109 Submissions on all the above points should be received within two weeks of the date of this decision. In the event that no submissions are received, or in the absence of agreement between the parties, I will decide on what orders are appropriate on the basis of the material available to me.

## **X. Appeal**

- 110 Any appeal must be lodged within 28 days.

**A C Howard**

Divisional Director acting for the Comptroller