

0/209/97

PATENTS ACT 1977

Mr P Hayward
3Y46

IN THE MATTER OF applications
under section 13(3) and under section 40
by Bruce Alan Milner
in respect of patent no. GB 2212505

Bridges 10/11/97
Discovery; stay

PRELIMINARY DECISION

UK Patent No. 2212505 in the name of Dixon International Limited was filed on 17 September 1987 under application No. GB 8826879.0 (based on International application No. PCT/GB87/00650) claiming a priority date of 17 September 1986. The inventors named were Tessa Malcolm-Brown, Bruce Alan Milner and Eric Southern. The patent was granted on 31 May 1990 and relates to an intumescent material comprising a polymeric or elastomeric binder containing expandable graphite. The material is for use, *inter alia*, as sealing strips for doors and windows, as a pressure and gap sealant in pipe closures, and in glazing panels.

On 4 July 1996, Mr Milner (hereafter referred to as the "applicant") initiated proceedings under section 40(1) seeking employee compensation from Dixon International Limited, now Dixon International Group Limited, (hereafter referred to as "Dixon") for making the invention of the patent. His statement of case claimed that he was the sole inventor of the patent and that the profitability of Intumescent Seals Limited (ISL), a subsidiary company of Dixon, was almost entirely due to the patent and so it was reasonable to suggest that the patent has been of outstanding benefit to ISL and consequently to Dixon.

A counterstatement was filed by the proprietor on 25 September 1996 stating that the action was wrongly directed in that the applicant was rather employed by Sealmaster Limited (hereafter referred to as "Sealmaster"), a wholly owned subsidiary of Dixon. It was also denied that the patent was of outstanding benefit to Dixon or any of its subsidiary companies. It was contended that any contribution made by the applicant was so small that it would not be just that Dixon should pay him compensation. In response, on 24 October 1996, the

applicant filed an amended statement modified to take account of the fact that he was allegedly employed by Sealmaster and not by Dixon. As a result, on 12 December 1996, Dixon requested confirmation that the award of compensation under section 40 was no longer being sought from them and asked for an award of costs in respect of the alleged spurious action. Further, on 20 December 1996, a counterstatement was filed on behalf of Sealmaster along the same lines as that earlier filed by Dixon. The applicant's evidence-in-chief in respect of the section 40 proceedings was filed on 10 March 1997.

In parallel with the section 40 action, the applicant on 7 November 1996 additionally filed an application under section 13(3) claiming that he had sole rights in the invention of the patent and seeking to have the names of the other two inventors removed from the Register. This action was opposed by Dixon, Sealmaster, and the named inventors Tessa Reeve (formerly Tessa Malcolm-Brown) and Eric Southern (hereafter referred to as the "respondents"), who each filed counterstatements on 10 February 1997 with a request for costs. The applicant's evidence-in-chief in the section 13 proceedings was filed on 9 April 1997.

On 18 February 1997, Mr Milner wrote to Sealmaster and to the patent agents Edward Evans & Co. requesting copies of certain documents in connection with his section 40 claim. These requests were refused. Accordingly, on 9 April 1997, when filing his evidence in the section 13 proceedings, the applicant wrote to the Patent Office requesting discovery of such documents in connection with both the section 13 and section 40 actions. The documents comprised, firstly:

- (i) the applicant's monthly reports addressed to Dr Southern;
- (ii) the applicant's memos dealing with the development of expandable graphite-based intumescent material and strips and addressed to Dr Southern and Mrs Malcolm-Brown;
- (iii) copies of various trial formulations involving expandable graphite compiled by the applicant himself and recorded in the 'Formulations Book';

(iv) copies of pages of the applicant's Laboratory Book recording his experimental work and trial formulations with expandable graphite (Book 2 being specifically identified);

and, secondly:

(v) correspondence between Mr Milner and Mr Seaborn, agent for Dixon, relating to expandable graphite and its applications in intumescent formulations.

All of the documents (i) to (iv) covered the period from April 1986 until the end of July 1986 while the correspondence (v) covered the period from April 1986 to September 1986.

Whilst this was going on, there was action also in respect of Dixon's request of 12 December 1996 for costs in respect of the claim originally initiated against them rather than Sealmaster, in that the Patent Office wrote to the parties seeking views of whether this request should be considered at the same time as the subsequent section 40 action against Sealmaster or immediately as a separate issue. In response, on 4 February 1997, the applicant indicated preference for the former option and, at the same time, provided the Patent Office with documentation which threw doubt on the allegation that Dixon was not his employer. These documents included a letter of appointment, a wage and salary review, a reply to the applicant's claim for compensation, and a copy of the pension scheme. All documents had Dixon letter heads. Notwithstanding this, in a letter dated 6 March 1997, Dixon requested that the matter of an award of costs in this issue be considered as a separate matter from the Sealmaster action, either on the papers following a further opportunity for observations or at a hearing. In a letter dated 3 April 1997, the applicant indicated a preference for determining the award of costs on the papers but also maintained his preference for this to be at the conclusion of the overall section 40 dispute rather than at a preliminary hearing. Dixon, in response, confirmed that they had in fact incurred costs in respect of the section 40 proceedings against them and maintained that settlement should not be delayed.

On 23 May 1997 the Patent Office gave its preliminary view to the parties on the issues of costs and discovery, *viz.* that the early determination of costs in respect of the section 40

proceedings against Dixon was premature and that it was not clear from the documents that the applicant had provided on 4 February 1997 that Dixon's involvement in the proceedings had in fact unambiguously ended. Further, to save costs the Office proposed that the determination of the question of discovery requested under section 40 be deferred, since the request for discovery did not clearly relate to the primary question of whether the patent has been of outstanding benefit to the employer under section 40 but rather to the secondary question of determining any subsequent compensation under section 41. If the applicant maintained his request for discovery then a preliminary hearing would be arranged to determine the matter. As regards the discovery requested under section 13, the Office's preliminary view was that the particular documents did in fact relate to matters in question in those proceedings, and that the discovery request should be granted. Comments on the consolidation of the section 13 and section 40 proceedings were also invited.

The applicant indicated in a letter dated 6 June 1997 that he favoured consolidation of the concurrent actions. However, the respondents opposed consolidation and suggested that the applicant had to establish first that the patent in question was of outstanding benefit to the employer. Only then was there any purpose in continuing with the section 13 proceedings. They suggested that the section 13 proceedings be stayed and await determination of the section 40 proceedings. They also disagreed with the preliminary view of the Office that there should be discovery of the documents under section 13 and requested a hearing to decide the matter.

The following matters were due to come before me on 23 October 1997:

- (i) discovery under section 13;
- (ii) costs and the role of Dixon as employer in the section 40 proceedings;
- (iii) consolidation of the concurrent section 13 and 40 proceedings, or alternatively staying of the section 13 proceedings pending the outcome of the section 40 proceedings.

However, just before the hearing the respondents stated that they now accepted the preliminary view of the Office regarding the matter of costs and the role of Dixon and indicated that this could be determined later. At the preliminary hearing to decide the remaining matters, Mr James Mellor QC instructed by Titmuss Sainer Dechert appeared as counsel for the respondents and the applicant appeared without representation.

I consider that there are two aspects to the matter of discovery under section 13, viz. the extent of discovery and its timing. The former aspect I shall deal with under the consideration of discovery *per se*, the latter aspect I shall deal with under the consideration of consolidation and stay.

a) Discovery

At the hearing the Mr Milner identified the documents that he wished to discover in the section 13 proceedings and explained his view of their significance to the development of the invention and in the demonstration of the alleged non-involvement of the directors of Dixon who had been named as co-inventors. In response to a claim by the respondents that the 'Formulations Book' did not exist prior to August 1986, he requested an extension of the requested discovery to embrace that item. He volunteered to make any confidentiality undertakings deemed necessary and was prepared to peruse all the documents under the scrutiny of Mr Seaborn.

Mr Mellor for the respondents sought to establish that the application for discovery was both premature and unnecessary and referred me to the approach taken in **LIFESAVERS Trade Mark [1997] RPC 563** which applied the principles which apply in the High Court on discovery. He argued that the respondents did not contest that Mr Milner had done the laboratory work in question, which was merely what the requested discovery would show. The question was, rather, whether he had been acting on the suggestions of Dr Southern, as the respondents submit, or on his own initiative. The requested discovery would not be probative one way or the other as regards this fact. Anyway, some of the documents to be discovered would be produced by way of background to the respondents' evidence when it was filed, and hence the request was premature. He also argued that the width of the discovery

sought was too wide and included classes of documents that were beyond the scope of these proceedings. He further maintained that the documents contained information that still remains confidential to the respondents. Finally, Mr Mellor opined that an order for discovery would be oppressive because the respondents would be producing documents that had no relevance whatsoever to any issue in the section 13 proceedings and it would needlessly increase costs.

I have considered the principles of discovery presented to me by Mr Mellor and set out in *Molnlycke AB v. Procter & Gamble Ltd (No.3)* [1990] RPC 498 at 'Held (1) to (3)', following *Fuji Photo Film Co. Ltd v. Carr's Paper Ltd* [1989] RPC 713, and the approach to discovery set out in *O Co. V. M Co.* [1997] 1 Lloyds Rep. 347. In the light of these authorities I consider that the request for discovery by Mr Milner is a valid one; it is not unduly wide, nor does it include classes of documents which extend beyond the issues in these proceedings. Whether or not the discovery documents will prove Mr Milner's contentions as to his sole inventorship remains to be seen. However, whilst I take note of Mr Mellor's arguments to the contrary, I do not see the requested documents as being clearly not relevant to the matter in hand, *ie* the issue of who actually devised the invention of the patent at suit. Again, despite Mr Mellor's suggestions to the contrary, I consider that Mr Milner has been quite specific in his identification of the relevant documents and, where appropriate, the relevant parts of such documents. For example, he advised that the disclosures of the crucial inventive formulations based on expandable graphite and polymeric binder emulsions based on polyvinyl acetate were highlighted in colour in his former Laboratory Book. Although I note that he considered that a minimal degree of blanking out of material contained in the documents may be necessary, I do not consider that suggests that he is asking for a wide discovery nor engaging in a fishing expedition. He is mindful of the confidentiality issue and I detect an emphasis on seeking discovery only of relevant matter within documents identified as being wholly relevant to the development of the invention.

I am minded, therefore, to grant discovery under section 13 for the April to July 1986 documents covered by the first four categories identified above as modified by Mr Milner during the hearing, *viz.* (a) the applicant's monthly reports addressed to Dr Southern; (b) the applicant's memos dealing with the development of expandable graphite-based intumescent

material and strips (though excluding references to the 'dual seal' application) and addressed to Dr Southern and Mrs Malcolm-Brown; (c) copies of various trial formulations involving expandable graphite compiled by the applicant and recorded in the 'formulations book' (and I am persuaded to extend the discovery to embrace the August 1986 version of the book); and, (d) copies of pages of the applicant's laboratory book recording his experimental work and trial formulations with expandable graphite as highlighted by Mr Milner himself when working for the respondents.

Discovery of the fifth category above, viz. (e) the correspondence between Mr Milner and Mr Seaborn between April and September 1986 relating to expandable graphite and its applications in intumescent formulations, whilst to my mind being similarly allowable as regards width and content, raises the additional issue of joint privilege.

On this issue, Mr Milner directed me to *Sonic Tape plc's Patent* [1987] RPC 251 in which such privilege would have to be waived jointly with regards a third party but one joint holder could not claim privilege as against the other joint holder. I am also cognisant of section 280 of the Copyright, Designs and Patents Act 1988 Chapter 48 which Mr Mellor indicated had appeared to have "overtaken" the earlier authority on privilege and which, accordingly, he suggested was no longer a sound precedent. I must say that I remain to be convinced that this is in fact the case. However, I am also conscious of the fact that neither argument was developed further in view of the likely effect on the discovery *per se* should the section 13 proceedings be stayed. Therefore, I am reluctant at this stage to decide on this point and thus to grant or refuse discovery of the correspondence between Mr Milner and Mr Seaborn. In the event, as will be seen in view of my decision as to the stay issue, I need not do so.

With regard to the other documents I have also considered the approach laid out in the *Practice Direction* [1995] 1 W.L.R. 262. I consider it plausible that relevant reports and memos may include other matters, as indeed would the laboratory book and the 'formulations book'. I am content that the documents exist or have existed (though I am unsure as to the exact date of the initial existence of the 'formulations book'), that they are or were in the possession of the respondents and, as I indicated above, are relevant to the proceedings. I

consider therefore that the extent of the discovery is sufficiently limiting. As regards the timing of the discovery I should like to address this under consideration of the second matter of consolidation of the concurrent proceedings or staying of the section 13 proceedings.

b) Consolidation of concurrent proceedings or staying of section 13 proceedings

Mr Milner had sought consolidation since he considered it sensible to resolve both sets of proceedings at a single hearing. He specifically requested that the section 13 proceedings were not stayed so that discovery under section 13 could proceed forthwith. On the other hand, Mr Mellor for the respondents viewed the concurrent proceedings as totally separate. The section 13 proceedings were about identifying who had contributed to the development of the invention in the period before grant of the patent. This was contrasted with the section 40 proceedings which are involved with the period after the grant of the patent and concerned with analysis of the financial position of the proprietor, and the influence of the patent on the market and on competitors' behaviour. Moreover, Mr Milner had to prove that the patent was of "outstanding benefit" to the proprietor.

Mr Mellor was not convinced that consolidation of both proceedings would lead to cost savings and a reduction in time. Rather than consolidate the two proceedings, the respondents wished to stay the section 13 proceedings, *viz.* decide first whether or not the patent was of outstanding benefit to the proprietor. Mr Mellor summarised the respondents' position as having to defend the section 13 proceedings at great cost to themselves; they were particularly concerned at the prospect of having to fight two actions instead of one.

Mr Mellor pointed my attention to the principles set out in *Everett v. Ribbands* [1952] 2 Q.B. 198 which were applied to a dispute in which a point of law may be isolated from another and, if decided in one way, may be decisive of the whole dispute. This may lead to the expedition of the hearing of a substantive issue and, through savings in discovery and the collecting together of witnesses and evidence on the other issue, produce a substantial saving in costs. Mr Mellor also referred me to *Carl Zeiss Stiftung v. Herbert Smith & Co.* [1969] 1 Ch 93 C.A. which approved the principles of *Everett v. Ribbands* and stated that as long

as an issue, if decided one way, would dispose of the whole dispute, then the court has the jurisdiction to order a preliminary issue and stay the remainder. With regard to this dispute, Mr Mellor argued that if the section 40 proceedings were dealt with first and were decided in the respondents' favour then it would effectively put an end to the dispute. Even if the applicant was intent on proceeding thereafter with the section 13 action, the respondents may no longer wish to contest it.

I accept that the "outstanding benefit" issue under section 40 is quite separate and distinct from the issue under section 13 and I am thus not convinced that consolidation of the two proceedings would significantly save either costs or time. I found that Mr Mellor's argument about settling the "outstanding benefit" issue very persuasive since it provides the potential for the least costly route for progressing these concurrent proceedings irrespective of how the section 40 proceedings are decided. For example, if Mr Milner fails to demonstrate that the patent is of outstanding benefit to the proprietor, there will be no need to consider an amount of compensation under section 41. It is also possible that any subsequent section 13 proceedings may not attract quite the same level of costs as if the section 13 proceedings were determined before the section 40 proceedings.

c) Conclusion

With regard to the issue of consolidation, I am of the opinion that the issues in the section 13 and section 40 actions are different and that there would be no saving in having them consolidated. With regard to the issue of the stay of the section 13 action, I am of the opinion that this looks to have potential for saving costs in these joint actions. I conclude therefore that the section 13 proceedings should be stayed until the section 40 proceedings have been resolved.

As regards the discovery requested within the context of the section 13 proceedings, I find that modified discovery under section 13 of the various documents identified under categories (a) to (d) above is allowable but should be stayed for the time being along with the section 13 action as a whole. As regards the discovery category (e), I will invite further submissions as

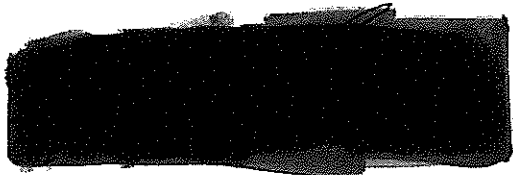
to the position in law when the stay on the section 13 action is lifted, if such discovery is still requested by Mr Milner.

d) Timetable

Subject to any appeal from this decision, the proposed timetable is as follows. The evidence rounds for submission of evidence-in-chief in the section 40 action by Sealmaster and of the evidence-in-reply thereto by the applicant may now proceed with a period of up to two months set for each round of evidence. I would be grateful if during these rounds the parties would consider making arrangements for a main hearing to be held in March 1998 (or earlier if the full period for filing evidence is not required).

Finally, the period within which any appeal to the Patents Court from this decision must be lodged is 14 days from the date of the decision.

Dated this 10th day of November 1997



G M BRIDGES

Superintending Examiner, acting for the Comptroller



THE PATENT OFFICE