

PATENT ACT 1977

BLO/209/87

IN THE MATTER OF references under Section 37 by John Richard Bates in respect of Patents 2043812, 2110787 and 2112888 granted to E Pass & Co Ltd and subsequently assigned to E Peart & Co Ltd

DECISION

The referor Mr Bates is one of the two people named in the patents as joint inventors, and is an ex-employee of E Pass & Co Ltd (hereafter Pass) in whose name the patents were granted. The patents were acquired by E Peart & Co Ltd (hereafter Peart) upon Pass going into liquidation in 1985, Peart appearing in these proceedings as the current proprietors of the patents. The question which has been referred to the comptroller in respect of each patent is whether the patent or any right therein should have been granted to Mr Bates instead of to Pass. There are also subsidiary matters with regard to the naming of a Mr Carr as the second of the joint inventors in patents 2110787 and 2112888, but these I shall come to subsequently.

It having been agreed by both parties that the proceedings on all three patents should be heard together, the matter came before me on 28 September 1987 when Mr J Baldwin appeared as counsel for the proprietors and Mr Bates presented his own case.

At the outset Mr Bates objected to the admission of further evidence from a Mr Donald which Peart had submitted shortly before the hearing, but after considering submissions from both parties on the admissibility of the further evidence I decided to admit it as being of some relevance to these proceedings, and in doing so I had in mind the difficulties which might be faced by Peart in producing first hand evidence arising from the fact that they are not the original proprietors of the patents. I allowed

Mr Bates an opportunity to file evidence in reply to Peart's further evidence within one month from the date of the hearing and he has availed himself of this opportunity by filing a statutory declaration on 26 October 1987. Having now carefully reviewed these further declarations I am of the opinion that neither of them is of much weight when it comes to deciding the issues before me.

Entitlement to inventions made by employees is governed under the Act by Section 39(1) which states that an invention made by an employee belongs to his employer if

(a) it was made in the course of the normal duties of the employee or in the course of duties falling outside his normal duties, but specifically assigned to him, and the circumstances in either case were such that an invention might reasonably be expected to result from the carrying out of his duties; or

(b) the invention was made in the course of the duties of the employee and, at the time of making the invention, because of the nature of his duties and the particular responsibilities arising from the nature of his duties he had a special obligation to further the interests of the employer's undertaking.

Peart contend that the inventions, all of which relate to pipe fittings which are made in two parts for assembly round a pipe to provide a side branch for attachment of branch pipes, valves and other equipment, belonged to Pass by virtue of sections 39(1)(a) and (b). On the other hand, the essence of Mr Bates's case as I understand it is that, although each of the inventions was conceived whilst Mr Bates was in the employment of Pass, at the relevant times Mr Bates was under instructions which forbade him to take part in the design and development of new products, and he conceived the inventions (for simplicity I will ignore for the moment any part which Mr Carr may have played in making the inventions) in his own time and contrary to those instructions.

As to be expected therefore, much of the evidence and arguments centred on the questions of what was the position of Mr Bates within Pass and the nature of his duties as an employee of that company, and it is convenient to give some consideration to these questions first in general and historical terms before considering the circumstances surrounding the making of each invention in more detail.

Mr Bates joined Pass as Assistant Works Manager in May 1979 and was appointed Works Manager in November of that year. At that time the previous Works Manager, a Mr Stott, was given the title of Director of Research and Development and he retained control of design and development which had been part of his duties as Works Manager. The R & D Department included a development engineer, Mr Richardson, and a development fitter, Mr Capper, both being responsible to Mr Stott. It would appear that prior to these changes the design and development of new products had been somewhat haphazard with employees in the Works Department contributing to such work. Mr Bates says that after the changes employees other than those in the R & D Department were instructed not to concern themselves with the design and development of new products. The change-over to the new allocation of responsibilities was not without its problems apparently as employees in the Works Department who had been used to working out solutions to problems themselves found it hard to break the habit. This, according to Mr Bates, resulted in various notices and memoranda from Mr J E Cooke the Managing Director reminding employees of company policy.

Mr Bates exhibited the only example of such a notice or memorandum in his possession. It is dated 10 April 1974 and refers to a previous memo on the subject before making the following statement about the functions of the Design & Development Department (Design being synonymous with Research in this decision) and the Works Drawing Office:

"The functions of the Design and Development Department are

those concerned primarily with the development of new products and certain design modifications on existing products where the concept of the whole design of the article is the problem and not the production procedure. All drawings in connection with the design and development of a project should be executed in this department.

The Drawing Office is mainly concerned in the production of drawings for use on the shop floor during the manufacturing process. Engineering drawings are prepared by the Drawing Office with this view in mind and it is not the concern of the Drawing Office to enter into design and development projects."

It seems clear to me from the wording of the above statement and from the statements made by Mr Bates under cross examination that company policy was that if an employee had an idea in connection with a new or modified product they were to pass it on to the R & D Department and not to get involved with the development of that idea themselves.

In evidence Mr Carr, the Chief Draughtsman, says that Mr Stott was the Managing Director of another company which office took a great deal of his time and that very little design and development was being undertaken, this being corroborated by Mr Capper in his first declaration made for the referor. In fact Mr Capper says that, after the changes, "at first there were misunderstandings about the new policy but eventually the Works employees accepted that they were no longer allowed to make suggestions affecting the design of new products" but I find the latter part of this statement difficult to reconcile with Mr Bates's own statements and the general tenor of the memorandum which I have in part reproduced above.

To follow the history of Pass a little further, the evidence indicates that Mr Richardson left the company in 1975, Mr Cooke the Managing Director personally took charge of the R & D

Department and a new Development Engineer, a Mr Yates, was appointed. The level of activity in the R & D Department remained low and Mr Capper had to occupy himself with routine and minor tasks. In 1977 Mr Yates left the company and was not replaced, and according to Mr Carr the R & D Department then ceased to function. Mr Capper was made responsible to Mr Carr who, in turn, reported to Mr Bates. Mr Capper states that after Mr Yates left, Mr Bates took a greater interest in design and development. Mr Bates himself gives evidence that he and a Mr Glew the Marketing Manager were once asked by Mr Cooke to submit reports on design and development and make recommendations but nothing came of these reports apparently.

The evidence clearly suggests that Mr Cooke and Mr Bates held different views on the need for new products to be designed and developed. There is no evidence from Mr Cooke in the proceedings, which I think is unfortunate, and I am left only with Mr Bates's evidence as to what instructions were given to him and the evidence of Mr Carr and Mr Capper, which although tending to confirm what Mr Bates has sworn in evidence on the subject of the instructions given to him personally, cannot be given as much weight in my view. Mr Bates maintains that on a number of occasions Mr Cooke specifically told him not to concern himself with design and development, and by 1978 Mr Bates, after repeated attempts to get the company policy on design and development changed, had resigned himself to the fact that if anything were to be done on this front to counteract the declining fortunes of the company he would have to do it himself. This then was the view of Mr Bates in the months preceding the making of the first invention which is the subject of patent 2043812.

Patent 2043812 is concerned with the design of the sealing arrangement provided on the side branch. Previously this branch, and the equipment to be fitted to it, were provided with machined flanges which were bolted together with an interposed gasket. The invention allows the accommodation of uneven surfaces of

as-cast flanges by using a resilient O-ring seated in a groove shaped so that its cross sectional area is greater than that of the portion of the unstressed O-ring resting in it. In a particular example the O-ring has a circular cross section and the groove a rectangular cross-section having a depth of about half the diameter of the O-ring. The additional area of the groove allows greater deformation of the resilient O-ring than if a groove of semi-circular cross-section fitting the ring were provided.

Mr Bates maintains, though he has produced no documentary evidence in support of his assertion, that he made the invention in his own time at home over a considerable period. I am not convinced that anyone can compartmentalise their thoughts to such an extent that none of the effort involved was performed during working hours. In any event if a person employed to solve a particular problem conceived the solution outside working hours any resulting invention would still have been made in the course of his duties and would therefore belong to his employer. Moreover in the case of Mr Carr the named co-inventor there is no suggestion that his contribution was not made in the company's time. There is nothing in the evidence which to my mind suggests otherwise than that the principle of the non-matching groove and O-ring seal, if I may put it that simple way, was conceived by Mr Bates, but it is not possible to establish the actual date on which the invention was conceived. It is illustrated, as applied to a particular sized fitting, in a drawing dated 28 June 1987. The invention must therefore have been made on or before that date, so it seems probable that it was conceived prior to the appointed day for the purposes of the Act. That being the case, the question of entitlement falls to be determined under common law rather than under Section 39 of the Act, but it was accepted by both parties, and I agree, that for the purposes of these proceedings it is convenient and appropriate to regard the questions which need to be considered to decide who is entitled to the invention as being essentially the same whichever way one approaches it.

The only direct evidence which has been produced as to the nature of Mr Bates's duties and his position within the company at the relevant time is a copy of a 20-year service agreement which was entered into by Mr Bates as Works Manager in July 1974 and which Mr Bates has exhibited. Neither party in fact based any argument on the terms of this agreement, but I think some weight ought to be given to it, particularly clause 3 thereof which I now reproduce:

"3. THE Manager shall unless prevented by ill health throughout the said term devote the whole of his time attention and abilities to the office or offices allocated to him as aforesaid and shall obey the orders from time to time of the Board of the Company and in all respects conform to and comply with the directions and regulations made by the Board and shall well and faithfully serve the Company and use his best endeavour to promote the interest thereof."

In July 1978, after the first invention was conceived, Mr Bates, without prior notice or consultation, was appointed a "director" of the company. Mr Bates maintains that this was merely a title given to him so that he would be treated in the same way as the marketing manager who had pressed for such a title to enable him to improve his apparent status in commercial negotiations, neither of them being a director of the company in the true sense. Mr Bates says that his responsibilities, salary and benefits were not altered by the appointment and that he did not attend board meetings. I do not think that there has been any serious challenge to Mr Bates's assertion that he was not in the position of a true director of Pass, although there were occasions when Mr Baldwin seemed to be assuming that Mr Bates's position was indeed that of a director. Nevertheless I feel bound to accept that Mr Bates was in a position of responsibility within the company, and the difficult questions I have to decide are how far that responsibility extended and what were the nature of Mr Bates's duties as Works Manager.

Mr Bates has consistently argued that he had been ordered by Mr Cooke not to concern himself with design and development work, but under cross examination he agreed that if a shopfloor worker had an idea he was to pass it on to the R & D Department and not try to develop it himself. If that were indeed the position then I cannot envisage that people in senior management posts such as Mr Bates would not also be expected to pass on their ideas for the design and development of new or modified products, and as a result I conclude that it would be placing an altogether too narrow interpretation on the instructions given to Mr Bates to, in effect, say that he was forbidden even to think about new or modified product designs. Having said that, I should also make it clear that I think Mr Bates was in a difficult position in that he sincerely and conscientiously felt that a lot more should be done to improve the company's product range, but with the effective demise of the R & D Department, there was only Mr Cooke in a position of overall authority to whom Mr Bates could make his views known, and Mr Cooke, for so it would appear, was unresponsive and took a discouraging attitude.

Having conceived the principle of the non-matching groove and O-ring seal for the glanded fitting, Mr Bates disclosed it to Mr Carr and Mr Capper at the works, and in the discussion which ensued, Mr Carr suggested a modification which Mr Bates adopted. Mr Bates told Mr Carr that he intended patenting the design and would put Mr Carr's name forward as joint inventor. A prototype fitting incorporating the invention was produced in secret on the premises of Pass and was successfully tested. At the hearing Mr Bates made it clear that the reason for the production of the prototype in secret was to avoid getting into trouble with Mr Cooke and because he wanted to present Mr Cooke with a fait accompli. The prototype was demonstrated to the board of Pass but was not well received. However, after further demonstrations and cost comparisons - Mr Bates maintains that the new fitting, in addition to providing a wider sealing range, was cheaper to produce, had fewer parts, and required no machining operations -



it was finally agreed that the new fitting should be included in the company's range of products. It eventually became known as "SUPASSEAL Mark I."

At this point I should perhaps deal with Mr Baldwin's contention that the invention should not be considered to have been made until it had been put into practice by producing and testing a prototype. I cannot accept that this is correct in the present case. The invention, as I think Mr Bates argued quite rightly, is a simple one and after the initial idea no further development of it was necessary. According to Mr Bates the prototype which was made worked first time and the tests, details of which have been supplied in the evidence, were normal and continuing production tests which had nothing to do with making the invention and this has not been effectively disproved.

Mr Bates took Mr Carr with him to a meeting with Mr Low of the firm of patent agents who usually acted for the company in order to decide whether or not a patent application should be made, and Mr Bates says that during the course of that meeting he specifically enquired whether he would be entitled to proprietorship of the patent. Subsequently, on 24 January 1979, Mr Low wrote to Mr Bates at the company address explaining the provisions of the Act regarding employee inventions. The letter is non-committal on proprietorship of this invention and deals mainly with the rights of employees to compensation under sections 40-42. Meanwhile, on 9 November 1978 Mr Bates had written two memoranda, one informing Mr Cooke that he (Mr Bates) had put in train the filing of two patent applications (one of which was to be granted as patent 2043812), and the other memorandum, also to Mr Cooke, summarising the discussion with Mr Low on intellectual property matters and advocating the development of a new company policy to handle compensation to employee inventors. Mr Bates himself authorised the filing of the two patent applications after checking the draft specifications.

I have dealt with the circumstances relating to the making of the

patent application for the first invention at some length because they throw some light on the position of Mr Bates in the company and his attitude at the time. The application was made in the name of Pass with Mr Bates and Mr Carr named as joint inventors, with the full knowledge and agreement of Mr Bates after he had taken steps to acquaint himself with the law concerning employee inventions. Mr Bates says in paragraph 23 of his first declaration that (when he wrote to Mr Low authorising the filing of the patent application) he made no mention of (his own) proprietorship because he had decided against applying for a patent (for himself), and explains that he had been given the 20-year service agreement and had been appointed a director, and his future was with the company. Furthermore Mr Bates says that in the re-organisation of the management of the company which he felt must soon follow, he stood a chance of promotion and any claim to proprietorship which he might attempt would damage his career prospects. At the same time Mr Bates recognised that, if the new design of fitting proved to be of benefit to the company, he himself would benefit indirectly.

There is no doubt in my mind therefore that the patent application was made on Mr Bates's authorisation for the benefit of the company, and I have no reason to believe that his attitude at the time of making the invention was anything other than that of a responsible senior employee using his best endeavours to promote the interest of the company he worked for.

Under cross examination Mr Bates maintained that the only problems he was required to solve as part of his duties as Works Manager related to production matters rather than to the actual design of the fittings themselves. This is what I would expect to be involved in the normal duties of a Works Manager.

Nevertheless, I do not consider the invention, the subject of patent 2043812, to be entirely divorced from the sort of problems to which a Works Manager concerned with making production as efficient as possible might be expected to give some thought.

Mr Bates has said in evidence that the invention enables glanded fittings to be produced more cheaply by avoiding the need for machining. This is echoed in the patent specification which Mr Bates checked and authorised, which states at p.1 line 20:

"Machining of surfaces represents a time consuming and costly step which would be advantageous to eliminate and the present invention has been made with that in mind."

In my view the production advantages to be gained by eliminating the machining step would have been evident to any Works Manager worth his salt, and I do not think it would be unreasonable to expect him to go at least some way towards thinking about alternatives to the machined flange and gasket seal, indeed I regard it as unlikely that it would have been regarded as sufficient and useful for Mr Bates to have gone to the R & D Department, had it still been functioning, saying "It would be a good idea to eliminate the machining step."

Section 7(4) of the Act states that unless the contrary is established a person who makes an application shall be taken to be entitled to the grant of the patent. The onus is therefore on Mr Bates to establish that he, rather than Pass, had the right to the grant of the patent. In my opinion the conditions of paragraph (a) of sub-section 39(1) are intended to cover the case of a person engaged on research and development as his normal or specifically assigned duties, and I am satisfied that those conditions were not met by the employment of Mr Bates by Pass at the time when the first invention was made. On the other hand sub paragraph (b) appears to be directed to the situation arising in respect of an invention made by a director or senior manager having special responsibilities to further the interests of his employer. The difficulty which arises here is that whilst Mr Bates was required by his service agreement to promote the interests of the company he was also required to obey the orders of the board, and Mr Bates is adamant that those orders included a specific instruction not to concern himself with design and

development. The evidence does not establish what the precise form of instruction was, and is entirely silent as to whether the general instructions to the employees of Pass about design and development were modified in any way after the R & D Department ceased to function, but it is quite clear where Mr Bates thought his duty to the company lay. In the result I am not satisfied that Mr Bates has sufficiently discharged the onus placed upon him and I am unable to find that he and not Pass was entitled to the grant of patent 2043812.

Before moving on to the other inventions I must mention a further matter which I raised at the hearing. Patent 2043812 was granted on 20 April 1983 but the reference to the Comptroller under Section 37 was not filed until 23 January 1986 which was more than two years later. Hence the provisions of sub-section 37(5) apply. These state that in such circumstances no order transferring a patent may be made unless it can be shown that any person registered as proprietor knew at the time of grant or, as the case may be, of the transfer of the patent to him that he was not entitled to the patent. The proprietor at the time the reference was made was Peart, the patent having been transferred to them on 10 September 1985.

It was my impression at the hearing that, until I raised the matter, Mr Bates had been unaware of the consequences of sub-section 37(5), and I am still of that opinion having studied the relevant parts of the transcript of the hearing. Mr Bates's case is entirely concerned with Pass and neither his statement of case nor the evidence in support is directed to establishing that Peart knew that they were not entitled to the patent at the time it was transferred to them, and for that reason I did not allow Mr Bates to argue against the entitlement of Peart at the hearing.

After the hearing Mr Bates submitted a letter dated 27 October 1987 in which he argues that he was disputing proprietorship of the patent with Pass before the patent was granted, and that his

failure to refer the question of entitlement to the Comptroller before the two year period after grant had elapsed was brought about by a failure of the office in May 1984 to inform him of amendments which had been made to Forms 7/77 (statement of inventorship) in respect of the two applications which were eventually granted as patents 2110787 and 211288, the other patents in these proceedings. These amendments were to restore Mr Carr as joint inventor and were made at the request of Pass, Mr Bates having previously instructed the company's patent agents to remove Mr Carr's name. Mr Bates seeks to invoke rule 100.

This is an entirely new approach by Mr Bates, but under the circumstances, and because I think I can deal with it without prejudice to Peart, I will give it consideration. Firstly of course it is not sufficient for Mr Bates's case that Pass knew he was disputing their proprietorship before the patent was granted, it must be established that Pass knew they were not entitled to the grant, and in my opinion the evidence does not do that. Secondly, in order for rule 100(2) to apply, any error, default or omission on the part of the office must have contributed to the failure to file the reference within the two year period and must have played an active causative role in bringing the failure about, but I cannot see that there is any such connection between the two in this case. In any event there was no error, default or omission on the part of the office in any procedure before the office in respect of patent 2043812.

Thus even if I had found that the patent should have been granted to Mr Bates I would not have been able to make any order transferring the patent to him as he has requested. It would also have been inappropriate, irrespective of Mr Carr's relationship with Pass, to consider transferring the patent to Mr Bates alone because, despite an apparent implication in the evidence that Mr Carr's contribution to the first invention was not inventive, Mr Bates made it clear at the hearing that he is not challenging Mr Carr's right to be named as joint inventor of that invention.

I now turn to the other inventions. During a demonstration of fittings incorporating the first invention to engineers of the South West Region Gas Board reservations were expressed by them concerning the necessity for the selection between two sizes of sealing ring according to the size of the pipe. It was felt that fitters might select the wrong size. Mr Bates who was present at this demonstration said that he knew how to overcome this problem and shortly after showed a design to Mr Carr. This design incorporated the second invention subsequently the subject of patent 2112888 and referred to as "SUPASSEAL Mark II."

No evidence was produced as to the circumstances surrounding the making of the third invention the subject of patent 2110787 except that when it was shown to Mr Carr he made a criticism which Mr Bates met by a minor design modification.

In the first patent 2043812 the fitting is sealed to the main pipe by resilient O-rings forced into enlarged end bores by a compression ring. The invention of patent 2112888 improves on this arrangement by providing the enlarged bores with two sections of different diameters joined by a sloping shoulder, the floor of the inner bore also being sloping. This enables a single O-ring to be utilised with a greater variety of sizes of pipes since the shape of the bore enables the O-ring to be inwardly compressed until it seals against the outer surface of the pipe.

As with the first invention, I am not satisfied that Mr Bates has sufficiently made out his case on his right to the grant of the second and third patents, and with respect to the second invention I also take the view that Mr Bates, in his meeting with the Gas Board engineers was representing Pass and therefore he was not free to use for his own purposes any information concerning the company's products which he may have acquired during that meeting.

Before concluding I must return to the right of Mr Carr to be named as joint inventor of the second and third inventions and the dispute between Mr Bates and Pass in this matter, to which I have previously alluded. It would appear that Mr Bates was under the misapprehension that, having made references to the comptroller under section 37, orders might be made to remove Mr Carr from being named as a joint inventor in the second and third patents. This misapprehension may have arisen out of preliminary communications with the office before the present proceedings were initiated, and although I have been unable to ascertain what was the substance of those communications, it is known that Mr Bates originally filed applications under section 13 in respect of the two patents and subsequently replaced these with references under section 37. It would have been possible to determine the matters raised under both sections in combined proceedings, and therefore I will give some consideration here to the position of Mr Carr as joint inventor in the second and third patents.

Mr Donald who was appointed Chief Executive of Pass in December 1981 says that, as the result of investigations made by him, he concluded that Mr Carr was involved in making the second and third inventions, but I have not been given the benefit of seeing any evidence as to what those investigations entailed (except that Mr Bates says that he was not consulted), or what they produced in the way of facts. Mr Carr specifically states that he was given copies of the specifications by Mr Bates in 1983 and that he did not contribute anything patentable to these inventions. He now confirms that Mr Bates was the sole inventor. I am just a little uneasy about this because I am not convinced that Mr Carr understands what a patentable contribution is, and there has been a history of confusion on Mr Carr's part as to whether or not he was involved in making the two inventions.

Peart asked for Mr Carr to be present at the hearing for cross examination, but he did not attend because Mr Bates had not asked him to. I do not wish it to be inferred that there was any

ulterior motive on the part of Mr Bates in this, for Mr Bates gave a not unreasonable explanation to the office for not wishing to put Mr Carr to the inconvenience of attending the hearing. Also, as I understood the representations made by Mr Baldwin, he was not so much concerned with Mr Carr's evidence on inventorship as his evidence touching on proprietorship, in which matter I have not found in Mr Bates's favour.

There seems to be little point therefore in insisting that Mr Carr should attend to be cross examined, but I record that Peart do not accept the whole of Mr Carr's evidence and that Mr Baldwin wishes to reserve the right to cross examine Mr Carr should there be an appeal from this decision.

Separate procedures are laid down in rules 14 and 54 for applying to the comptroller under section 13 and for making a reference to him under section 37, and it is not clear to me from studying these sections and rules that any right to be mentioned as inventor is a right which may fall to be considered as one of the rights referred to in section 37. Much as I would like to be able to make a positive finding one way or the other on whether or not Mr Bates should be mentioned as the sole inventor in the second and third patents, under the circumstances it seems to me that I am precluded from doing so.

Mr Baldwin asked for costs, though relief by way of costs was not specifically sought by Peart initially. Having given the matter due consideration, including the inconvenience caused to Mr Bates by Peart's late filed evidence, and Peart's purely defensive role in these proceedings, I do not see any compelling reason why I



should not make an award as is customary. I therefore award the sum of £600 to the proprietors E Peart & Co Ltd as a contribution towards their costs, this amount to be paid to them by the referor John Richard Bates.

Dated this 17<sup>th</sup> day of December 1987

K E PANCHEN

Superintending Examiner, acting for the Comptroller

