

PATENTS ACT 1977

BLO / 118 / 86

IN THE MATTER OF Letters Patent  
No 1468940 and 1538783 in the  
name of the Halcon SD Group Inc

and

IN THE MATTER OF an application  
by BP Chemicals Limited for a  
Compulsory Licence thereunder.

PRELIMINARY DECISION

Patent Nos 1468940 and 1538783 relate to the production of anhydrides of monocarboxylic acids, particularly acetic anhydride and their relevance to the applicants is the latter's intention to build, at Hull, a plant for the production of acetic acid and acetic anhydride with an expected completion date at the end of 1988.

BP Chemicals Ltd (BPCL) considered three possible alternatives for the processes to be used in the proposed plant. These were:-

- i) Building a new plant based on a process licensed from the Monsanto company using existing technology;
- ii) Licensing Halcon's technology;
- iii) Developing their own technology, for which a licence from Monsanto would still be necessary,

At the end of a study into Halcon's technology and preliminary negotiations for a licence BPCL decided that it would prefer to proceed with its own technology but nevertheless an attempt was made to reach agreement with Halcon as to what their royalty rate would be if the Halcon patents were deemed valid and infringed by

BPCL's proposed operations since it was considered there was some risk that Halcon might still take action against them for alleged infringement. It was not possible to reach an agreement and on cessation of negotiations Halcon served a writ on BPCL for infringement of Patent Nos 1468940 and 1538783 on 18 October 1985. Whilst BPCL do not admit infringement nor do they admit that the patents are valid they have nevertheless sought a compulsory licence thereunder, relying on Sections 48(3)(a) and 48(3)(d)(iii) of the Patents Act 1977.

In order to assess the basis of the case submitted by BPCL on 10 April 1986 Halcon requested discovery of certain documents from BPCL in a schedule extending to 18 categories of documents in all. For the most part the documents requested were those referred to in the statutory declarations submitted by BPCL in the names of Priestley, Proud and Dobson.

Communications between the two parties proceeded until in a letter to the Comptroller dated 1 May 1986 Halcon requested a preliminary hearing concerning discovery and thus it was that the matter came before me on 23 June 1986 when Mr C D Floyd appeared as counsel for the patentees and Mr G Burkill appeared as counsel for the applicants for the compulsory licence.

Prior to the hearing the applicants had conceded the right of Halcon to discovery in a number of areas of the original schedule by making available various estimated costings in relationship to the alternative methods of making acetic anhydride and acetic acid and, as I understood Mr Floyd, the only matter that remained to be decided concerned the request for discovery of documents relating to the BPCL plant to be erected at Hull.

At this point I should make clear that I was somewhat concerned that Halcon should be asking for discovery of documents relating to the Hull plant, since as I understood the matter in other proceedings BPCL were denying that the processes to be carried out at the Hull plant infringed patent Nos. 1,468,940 and 1,538,783.

The compulsory licence sought by BPCL is in respect of these patents and the only reason I could or should order discovery of these documents was if I considered the documents relevant to these proceedings. In other words my order on discovery could be regarded as tantamount to deciding the infringement issue which is before the High Court. I have therefore decided to proceed as follows. Since BPCL are asking for a compulsory licence in respect of patent Nos 1,468,940 and 1,538,783 and seek that licence in respect of operations they propose to carry out at their Hull plant my decision in this case is based on an assumption. I have assumed for the purpose of these proceedings only and without deciding the issue on the basis of any facts presented that the operations which are to be carried out at BPCL's Hull plant do either wholly or in part infringe patent Nos 1,468,940 and 1,538,783 and on that basis and in the light of the other facts and arguments submitted to me at the hearing I have decided the question of discovery.

Mr Floyd referred me to paragraph 10 of Mr Cropp's declaration on behalf of Halcon, where it is submitted that since the basis of BPCL's submission involves a comparison between the costs of operating in a non-infringing way and of operating under the Halcon patents, BPCL's best estimate of the cost of proceeding with the plant they have actually chosen to build must be at least as relevant as their estimate of the cost of the plant proposed by Halcon which they have chosen to reject. Mr Floyd stated that what was requested in this area was not every document relating to the Hull plant but the final document presented to BPCL's Board of Directors which he submitted must show the costs and profitability of the route chosen by BPCL. On the basis of the statutory declarations put forward by Dr Priestley (paragraph 1) and Mr Proud (paragraph 6) there was no doubt in Mr Floyd's mind that such a document was in existence. Moreover Mr Burkill for BPCL did not seek to deny its existence. Access to the document would allow Halcon to look at another basis for assessing royalty whereas the BPCL approach of comparing the cost of existing technology with the cost of the Halcon technology would only allow an estimate

based on one set of figures.

Mr Floyd was aware of the fact, particularly on the basis of the declaration of Mr Cohen for BPCL, that there was objection to Halcon being in possession of the requested document on the grounds that the document was confidential and that the request was oppressive, of the nature of a fishing exercise and that it was not part of BPCL's case that the cost of the selected plant is relevant to calculating an appropriate payment to Halcon.

On the matter of confidentiality he drew my attention to the fact that this was not a ground in law for objecting to discovery as long as suitable terms could be agreed. Since a confidentiality agreement had been agreed with respect to other documents in this application it was his submission that the same could be done for the document at issue, albeit that it might have to be in different terms.

As to the request being oppressive and of the nature of a fishing exercise Mr Floyd stated that this could not be so since on the basis of the evidence it was clear that the document existed and this was the only document, in respect of the BPCL plant, that Halcon were requesting. Thus the analogy was closer to 'hunting' rather than 'fishing'. Moreover, he contended that the document was relevant to calculating the appropriate payment to Halcon and here it was not up to one party, in this instance BPCL, to restrict the issue to the way that they saw it. For this application it must be assumed that by operation of their chosen plant BPCL were infringing Halcon's patent, although this in no way implied an admission of their infringing, and therefore figures relating to the whole process from raw materials to the final acetic acid/acetic anhydride product in terms of costs and profitability were relevant to provide the ~~same~~ basis as that on which the BPCL board looked at the matter.

Mr Burkill, for his part, impressed upon me that discovery should only be ordered where absolutely necessary and even in the High

Court would not be allowed if it was oppressive or of the nature of a fishing enquiry. He drew to my attention the decision of the Assistant Comptroller in the case of Temmler-Werke's Patent [1966] RPC 187, which was upheld on appeal, where it was decided that High Court practice should not complicate the simple procedure before the Comptroller. Thus, said Mr Burkill, practice before the Comptroller should be more limited and this should not be departed from unless there were good reasons. On this basis it was his view that discovery was not necessary in the present proceedings. Halcon were involved in a fishing exercise since they did not know why they needed the document and in the absence of evidence this had to be pure speculation.

Mr Burkill further submitted that confidentiality was of vital importance in this industry, the more so in respect of the present application since an infringement action was going on between the two parties and information contained in the requested document could well be of benefit in the infringement action as well as here. Again whilst the request was for the final document submitted to the BPCL board this document could well refer to other documents which Halcon then might decide to look into further. What Halcon wanted to look at was a third route developed independently by BPCL for the preparation of acetic acid/acetic anhydride and in BPCL's opinion this was no part of the case. This was particularly considered to be so since Halcon appeared to have accepted that the correct basis for calculating the royalty was, as outlined in paragraph 10 of Mr Dobson's declaration, to compare the difference between operation in a non-infringing way and operation under the Halcon patents.

On the basis of the assumption that I have already made as to infringement of patent Nos. 1468940 and 1538783 by the operation to be carried out at Hull and having carefully considered the arguments presented at the preliminary hearing, I have come to the conclusion that it would be right to order discovery of the documents sought by Halcon viz: the final document or documents submitted to BPCL's Board of Directors which relate to the costs

and profitability of the process chosen by BPCL for operation at the proposed plant in Hull, subject to certain limitations which I will come to later. In reaching my decision I am very much influenced by the assumption that I have made. It seems very reasonable that the costs and profitability of the chosen plant and operations are very relevant to Halcon in preparation of their case in respect of the application for a compulsory licence for the very reason that they are possibly the only figures prepared within real commercial constraints which show the costs and profitability of operations which I am assuming are the operations for which BPCL seek a compulsory licence. Again had Halcon been wanting access to a wide and perhaps indefinable range of documents relating to the proposed BPCL plant my task would have been much more difficult, but since only one class of document is involved I cannot see how they can be said to be conducting a fishing exercise. Nor can their request be considered as onerous and oppressive given that it is reasonably clear that such a document exists.

Thus pursuant to the request by Halcon in their letter of 1 May 1986 I order that BP Chemicals Limited make and serve on the Agents for the patentees within 7 days of the date of this decision a statutory declaration by a proper officer stating whether they have or at any time have had in their possession, custody or power the document or documents finally submitted to BP Chemicals Limited's Board of Directors relating to the costs and profitability of proposed plant and operations for the production of acetic acid or acetic anhydride which they were planning to build and operate at Hull, and if not now in their possession, custody or power what has become of them and that, subject to the order that I make as to confidentiality, BP Chemicals Limited provide the patentees solicitors, patent agents and counsel with an opportunity of inspecting the document or documents set forth in the said statutory declaration within 7 day of service of the statutory declaration upon them.

As to confidentiality I am not unaware of the fact that BPCL are

concerned about the confidentiality of the information contained in the document or documents, particularly in view of the existing infringement action between the two parties. This concern seems to me to be entirely warranted and in this respect I order as follows.

Any document or documents provided for inspection as a result of the above order for discovery will be passed into the hands of Halcon's agents, Mathys & Squire. They should remain in a secure place on their premises and may not be used for any other purpose than that connected with the present proceedings. Only those solicitors, patent agents and counsel connected with the present application may see the document or documents and they may not divulge the information contained in these documents or any part thereof to any other person without the consent of BP Chemicals Limited. Save for a copy thereof to be used by counsel for Halcon the document or documents may not be copied and the document or documents and the copy may not be taken outside the jurisdiction of this tribunal or the Patents Court. I also require Mathys & Squire to indicate in writing to the Office, before receiving the document or documents, that they accept these conditions, that they will undertake responsibility for maintaining the confidentiality of these documents and that on the termination of these proceedings they will return them to the Office.

A

This being a procedural matter, the period to enter an appeal is fourteen days from the date of this decision.

Dated this 21<sup>st</sup> day of July 1986.

M F VIVIAN

Superintending Examiner, acting for the Comptroller

PATENT OFFICE

